

The Blue Crane Route Municipality



Province of the Eastern Cape (EC102)

Annual Report

2009 / 2010



CONTENTS

02

PART 1: INTRODUCTION AND OVERVIEW

A. Foreword by the Mayor	2
B. The Yearly Program Priorities' Statement	4
C. Overview of the Municipality	8

13

PART 2: ACHIEVEMENT REPORTS (KPA) CHAPTER 1: Human Resources and other Organisational Management

1.1 Presentation of the organisational structure	13
1.2 Staff development initiatives during the Financial Year	13
1.3 Key human resources statistics per functional area	13
1.4 Senior Managements' wages and benefits	15
1.5 Performance Management System	15
1.6 Annual performance as per key performance indicators in municipal transformation and organisational development	16
1.7 Major challenges and remedial actions in regard to human resources and organisational management	16

17

CHAPTER 2: Basic Services Delivery Performance Highlights

2.1 Water Services	17
2.2 Electricity Services	19
2.3 Sanitation	21
2.4 Road Maintenance	22
2.5 Waste Management	23
2.6 Housing and Town Planning	24
2.7 Spatial Planning	26
2.8 Indigent Policy Implementation	26
2.9 Overall Service Delivery Backlogs	27

29

CHAPTER 3: Municipal Local Economic Development Framework

3.1 Local Economic Development (LED) Strategy	17
3.2 Annual performance as per key performance indicators in LED	19
3.3 Challenges regarding LED Strategy implementation	21

32

CHAPTER 4: Municipal Financial Viability and Management

4.1 The audited financial statements	32
4.2 Budget to actual comparison	59
4.3 Grants and Transfers' Spending	62
4.4 Meeting of Donors' requirements in respect of conditional grants	62
4.5 Long-term contracts entered into by the Municipality	62
4.6 Annual performance as per key performance indicators in financial viability	62
4.7 The Audit Committee's functionality	63
4.8 Arrears in property rates and service charges	64
4.9 Anti- Corruption Strategy	65
4.10 The Audit Committee	65
4.11 The Auditor-General's Report	66

73

CHAPTER 5: Good Governance and Public Participation

5.1 Overview of the Executive and Council functions and achievements	73
5.2 Public participation and consultation	83
5.3 Ward Committees' establishment and functionality	85
5.4 Community Development Workers	87
5.5 Communication	87
5.6 Intergovernmental Relations Framework	88
5.7 Legal Matters	88

29

PART 2: FUNCTIONAL AREA REPORTING AND ANNEXURE

A. Functional Areas Service Delivery Reporting	93
B. Annexure	104
1. Audit Committee Report	
2. Approved Municipal Structure	

107

LIST OF ABBREVIATIONS

02

PART 1: INTRODUCTION AND OVERVIEW





Ms. M. SCOTT
MAYOR

A. FOREWORD BY THE MAYOR

03

The Blue Crane Route Municipal (BCRM) Council would like to present to you the Annual Report for the Financial Year 2009/10. The reviewing of the Municipality's performance during the above mentioned period was done in accordance with the requirements of the Municipal Finance Management Act (MFMA). This is consistent with the Council's obligation and responsibility to contribute to the betterment of the community it serves.

The year has been one filled with challenges for the BCRM. Challenges such as the draught, which has rendered our dams dry, as well as the struggle of dealing with the obstacles that are hindering the BCRM from maintaining, if not improving, on the Unqualified Audit Report that we achieved in the last Financial Year 2008/09. The highlights, however, have been the community engagement that we as a Municipality have embarked on. This was aimed at working on the quality of our Integrated Development Planning (IDP). The process involved Ward Committees putting forward objectives and project suggestions. Public meetings were conducted to confirm agreement on these with involvement from the Steering and Budget Committees. The need for more departmental participation was also expressed.

With the FIFA World Cup, that has come and gone, being the highlight of the year for most South Africans, the new artificial turf that now graces the old soccer field, which was a poor representation of the rich sporting culture of the BCRM community, has been a welcome development. To us it marks the refurbishment and revitalisation by the FIFA World Cup of the legacy and importance of sport in our community. It also is an opportunity for the people of Kwa-Nojoli to take ownership of

facilities built for them and see them as a symbol that will contribute to the rehabilitation of the South African society - as through sport one learns many character building lessons. Therefore the respect to property and good conduct exhibited during public use of the facility can only be seen as positive, as respect to property can be interpreted as respect for oneself.

Again in 2010 our annual event, the Biltong Festival, did its part in serving as a networking platform and continues to be a reflection of our harmonious BCRM community. To everyone who was involved in the planning, organising and managing of the event, thank you for a job well done.

It is then my responsibility and obligation as Mayor of the BCRM to introduce to you, the stakeholders, on behalf of Council, the Annual Report for the Financial Year 2009/10. On reading this document, your comments and feedback would be of great assistance as they will help us improve on our primary aim, which is creating a better life for all.

This has been a year filled with hard work and I would like, in closing, to thank my fellow Councillors, Managers, Staff and the community of the Blue Crane Route for their understanding and support.

Nakwenjenjalo Nangamsol

Ms. M. Scott
MAYOR



Mr. M. A. Mene
MUNICIPAL MANAGER

B. THE YEARLY PROGRAM PRIORITIES' STATEMENT

In terms of the Municipal Systems Act 32 of 2000, section (46) the Municipality is expected to produce an Annual Performance Report.

2009/10 Financial Year.

INTRODUCTION

The Blue Crane Route Municipality is a small Council with limited resources. There is, however, an expectation to perform equivalent to the bigger municipalities. The Performance Management System (PMS) is one element that needs good and knowledgeable skilled staff to effectively undertake the responsibility. In the midst of that, BCRM has ensured that PMS is applied and will snowball and mature as the time goes by.

In this Annual Performance Report we will deal with:

- Purpose of the Report
- IDP Objectives
- Performance Report
- Analysis of Performance
- Audit Committee / Internal Audit
- Governance
- Way Forward
- Conclusion

Let the process proceed with the purpose of the Report.

PURPOSE OF THE REPORT

The purpose of the Report is to provide an account of the performance of the Blue Crane Route Municipality. The Report will discuss the targets set by Council in terms of the scorecard and the actual performance. This will take into account the set objectives of the IDP and the Budget process. These key performance areas were then reduced into very smart (specific, measurable, achievable, realistic and time bound) key performance indicators. These should tell the community how far the BCRM has gone to address the priorities

they mentioned / raised and confirmed. It should also bring to light the challenges that need to be addressed to better the lives of the community.

IDP – KEY OBJECTIVES

Land Use

WARD 1

The Ward has a challenge of land to develop housing. The land around the Ward is owned by Transnet and farmers / associations / trust.

There are moves to request Transnet to transfer the strategic land to BCRM in the Ward. The latest news was that Transnet donated the land to the Housing Development Agency (HDA). Letters of correspondence to discuss the matter with HDA have been submitted.

There are farmers who have signed deeds of sale to BCRM of their land. The documents have been submitted to Land Affairs for assistance in this regard.

WARD 2 & 3

The two Wards required land for both commonage and extension of the cemetery.

The Department of Land Affairs has confirmed to give a portion of Prinsloo Farm (rented out) for the extension of the cemetery. The other Ward has received a go ahead by the EIA for the extension of a cemetery in Aeroville. The design for the development has been concluded.

WARD 5

The Ward has raised issues related to:

- No response on Land Claims;
- A need to Survey Chris Hani;
- Land for a crèche;
- Housing to accommodate the disabled.

The Council has had discussions with the Department about the Land Claims. Their representatives

came to talk to the people. **The Council implemented the resolutions taken by:**

- Re-submitting of information that was suggested to be outstanding.
- The Department is still to respond.
- The land in the Chris Hani area has been surveyed and the sites were designed.
- The land for a crèche has been allocated. The association still awaits funding to build the crèche.
- The contractors will be advised in line with disability requirements for the housing development.

Development Nodes (Upgrading of Buildings)

WARD 1

- The Ward requested the need to invite investors to put together a Petro-Village.
- The Ward requested the extension of the Library, because it is not accommodating all students & activities.
- The Ward requested the upgrading of the Community Halls.
- The Petro-Village project is not yet receiving investors for various reasons. The matter is still outstanding.
- The Department of Sports, Recreation and Culture has been handed an application from the BCMR for the extension of the Cookhouse Library. It was submitted through Cacadu District Municipality which co-ordinates library matters in the District.
- The Hall in Town and the Madiba Hall are being upgraded. The community is happy with the work, to date.

WARD 2 – 5

The Wards 2 – 5 requested the following:

- (Ward.2) – Requested a Hall to be built.
 - Investigation into a Library.
- (Ward.3) – Requested a Hall to be built.
- (Ward.4) – Requested equipment for the well renovated Town Hall.
 - A need to extend the Library.

(Ward 5) – Requested equipment for the renovated Hall.

(Ward 2) – The Council is still drawing up designs and identifying land for the Hall.

- A submission was sent to the CDM for a Library in Mnandi.

(Ward 3) – The Council has set aside some allocation for a Hall in Aeroville – it will be built in the 2010/11 Financial Year.

(Ward 4) – Equipment has been purchased for use in the Hall.

A need to extend the Library has been submitted to CDM for the attention of DSRAC.

(Ward 5) – Equipment has been purchased for the Hall in Old Location.

Institutional Performance

WARD 1 – 5

- All Wards raised Ward Committee training;
- All secretaries be provided with stationery;
- The issue of benefits for Ward Committees.
 - The Council contracted the Nelson Mandela Metropolitan University to train all Ward Committees.
 - The Committees received their Certificates.
 - The Council procured stationery for all Committees.
 - The issue of stipend is still contentious and outstanding.

Skills Development

WARD 1 – 5

All the Wards raised the following:

- A need to have more learnerships.
- A need to develop a policy on internship.
- A need to train Financial Management Grant (FMG) interns.

The Council is receiving more learnerships. The issue is the need to have an active Training Committee that is to direct and control training.

A draft Policy has been developed and has to go

through Council processes. Financial implications need to be designed.

The interns provided by the FMG are being linked to the new Chief Accountant for support and training. Otherwise, the process of training was not truly undertaken.

The Special Program Unit that deals with youth, women, the aged, disabled and children need to develop programs that empower the target audience.

Electricity

WARD 1

The Ward raised the following:

- The Ward raised the issue of a sub-station to be built for the Cookhouse area, including the surrounding farming community.
- A program to maintain the street lights.
- The informal settlement to be electrified.

Outcome:

- The BCRM has applied to Eskom for a quote on a sub-station. The approval would alleviate the demand on the Main Station in Somerset East.
- The lights in and around the Police Station, Cradock place, town and Bhongweni are being maintained monthly.
- An assessment was concluded on the manner in which the informal settlement can be electrified. The electrification will be done in 2010/11.

WARD 2

The Ward raised the following:

- Servicing of the street lights.

Outcome:

- Maintenance is being undertaken; however the shortage of staff has been a challenge.

WARD 3

The Ward raised the following:

- The need to maintain the high cost lights.
- The need to insert/build street lights for the area of Nkqantosi.
- Upgrading of the squatter camp (Ezinyoka) and building of street lights.

Outcome:

- The high mast is being maintained after a long backlog due to lack of staff skilled to maintain them.
- The end part of Nkqantosi (Mnandi) will be investigated and implemented in 2010/11.
- Ezinyoka is situated on a topographically problematic area. The BCRM has to further meet and discuss this, so that an alternative, more suitable area can be found for the people of the area.

WARD 4

The Ward raised the following:

- The need to upgrade the electrical network in Pearston.
- A need to investigate the solar options in the area.

Outcome:

- BCRM is upgrading the network in the Pearston area.
- The solar energy investigation has been referred to the BCDA Committee on Alternative Energy.

WARD 5

The Ward raised the following:

- The Ward requested the Council to ensure that the Master Plan is implemented, which would help with the maintenance of the infrastructure.

Outcome:

- The Department on Infrastructure is ensuring that the Infrastructure Maintenance Plan is followed, in line with the Master Plan.

Water / Sanitation

WARD 1

The Ward raised the following:

- The Ward requested Council to buy the Water Rights from the Masizame Trust.
- The Council to speed-up the upgrading of the Waste Water Treatment Works (WWTW).
- The Council to change conservancy tanks from the Cradock area to water-borne sewerage.
- The Council to fence the Water Reservoirs.

Outcome:

- The Council is in negotiations with Masizame on the Water Rights. There are also challenges to obtain those rights from the Trust.
- The Environmental Impact Assessment (EIA) results are delaying the process to upgrade the WWTW. The Council awaits the Record of Decision (ROD).
- The conservancy tanks in the Cradock area are being investigated. The challenge is that the Municipal Infrastructure Grant (MIG) regards the project as basic services.
- The Council is fencing all the Water Reservoirs.

WARD 2

The Ward raised the following:

- The Ward has a problem with storm water drainage in Hoop Street.
- Water problems in Aeroville.
- The issue of water quality.

Outcome:

- The Council is undertaking a Study on Storm water movement in the affected Somerset East area.
- The Aeroville water problems are related to the overall problem of drought in the BCRM.
- The water quality issue is being attended to.

WARD 3

The Ward raised the following:

- Ezinyoka not having water services.
- Storm water drainage in key areas of attention.

Outcome:

- The Ezinyoka area needs an overall strategy that speaks to location, services, and housing.
- The Council is undertaking a study on Storm water Drainage.

WARD 4

The Ward raised the following:

- The need to put up the Water Harvesting Tanks for Pearston.
- Water Borne Sewerage to be installed in the Pearston Central Town.
- A need for a Storm water Drainage System for the town.

Outcome:

- The Council has secured funding for the Water Harvesting Tanks. The Tanks will be erected in the 2010/11 Financial Year.
- The study to investigate the cost of conversion from conservancy tanks to water borne was done. The unit cost for the conversion was expensive beyond the RDP standards. The MIG unit would not approve the funding. Council is exploring other mechanisms.
- The Council is undertaking an investigation into the nature of the Storm water in Pearston. They will subsequently provide a plan for improvement.

WARD 5

The Ward raised the following:

- The Ward has a concern with the maintenance and the turn-around time of the Infrastructure Department.
- The Storm water in Old Location is damaging the properties of individuals.
- The sewerage spillage from the Bone Factory and Abattoir need to resolve.

Outcome:

- The Department has acknowledged the manner in which the complaints have been addressed and the erratic manner the staff attends to those complaints. The Department is working

on the above issues.

- There is a study undertaken to deal with the Storm water Drainage System. A budget is available to address some of the key strategic challenges. It will be addressed in the 2010/11 Financial Year.
- The Sewerage Spillage is a matter of concern. It affects the water course. There are discussions with the Abattoir to address the problem. The Council has made an offer to them to buy a piece of land to deal with the problem. The Department is following up with the Abattoir.

Roads

WARD 1 – 5

The Ward raised the following:

- All the Wards requested that paving be done in a combination of Wards. For now, paving is very slow; however, it will create jobs.
- All Wards raised the concern of the quality of the speed-bumps.
- They also suggested a need to erect speed-bumps simultaneously with the road.
- Other maintenance programs should continue as tabled e.g., Scallan Street etc.

Outcome:

- The paving is acknowledged to be slow. There is equipment that needs to be purchased to do the work. There is also a need to ensure that staff agrees to be trained and supervision be enhanced.
- The Department acknowledged that the initial speed bumps were not as per requirement. The Department is addressing the problem.
- The speed-bumps are being erected simultaneously with the paving program.
- The streets that need fixing, topping tar, fixing the potholes, Scallan and Hare Street, are being maintained.

Environmental Health

WARD 1 – 5

The Ward raised the following:

- All Wards requested that the cemeteries to be upgraded.
- The issue of trimming trees was raised.
- The removal and replacement of trees that are damaging properties.
- The removal of the alien species.

Outcome:

- The trees are being trimmed in the various Wards. This is done on an incremental basis.
- The trees that are damaging properties are being uprooted; some of them are being replaced with new trees.
- The BCRM does not have the budget for alien species removal. An application has been submitted to the Department of Water Affairs and Department of Environmental Affairs and Tourism for assistance.

Protection Services

WARD 1 – 5

The Ward raised the following:

- All the Wards raised the issue of street names and signage in general.
- The need to appoint Traffic Officers to do road-making, scholar patrol, policing, roadblocks and disaster support.
- Ward 4 raised the issue of bridges in Nelsig and Khanyiso Locations.
- The need to appoint Peace Officers to deal with the indiscretions of the Law.

Outcome:

- The street names are being erected in the 2010/11 Financial Year.
- The Traffic Officers are being appointed.
- The BCRM does not have the budget for bridges, but has applied to the Province for funding.
- The Peace Officers have been trained. They will be appointed in the 2010/11 Financial Year.

Primary Healthcare

WARD 1 – 5

The Ward raised the following:

- Ward 1 raised the need to conclude the process of the Clinic of Excellence. The intention being to build, appoint more staff and be open 24 hours a week.
- The Community also raised the need for an Ambulance Station in Cookhouse.
- Ward 2 raised the need for additional nurses.
- The Clinic in the Ward to be upgraded.
- Assistants / volunteers to be appointed full-time.
- Ward 3 raised the need for a Clinic to be built.
- Ward 4 raised the need to revisit the initiative of a Training College, which will assist with the shortage of nurses.
- The Ward also raised the promise for a Clinic of Excellence by the Department.
- Ward 5 raised the concern of the operation of Clinic Committees that need to be resuscitated.
- All Wards raised a concern of the service rendered by doctors in the various clinics.

Outcome:

- The Department of Health is the custodian of the function (PHC). They are busy with Provincialisation. All the above matters have been raised with them. They are subject, in the most, on the conclusion of the process. Some other issues, like the doctors, are being attended to by the Council.

Parks & Sport Fields

WARD 1 – 5

The Ward raised the following:

- All the Wards raised the issue of parks.
- All the Wards raised the need to upgrade the fields for football, netball, rugby etc.
- The need to revisit the Bestershoek Park.

Outcome:

- Parks are being implemented incrementally in all the Wards.
- The upgrading of sportfields is to be

implemented incrementally in 2010/11 Financial Year.

- Bestershoek forms part of the Boschberg Development by Blue Crane Development Agency.
- The Youth Centre is to be improved when all youth structures have met and decided on what should be done to finalise the centre.

Free Basic Services

The concern of the blockages on Free Basic Services was confirmed by Budget and Treasury. The matter is receiving the necessary attention.

PMS (Performance Management System)

The concern of other levels of staff being erratic in their work and a need for PMS to cascade down through all levels. It was confirmed that the process is being attended to. The Unions (SAMWU & IMATU) are still considering the Incentive Policy Guidelines. Subsequent to that PMS will be cascaded.

Organisational Structure

The Community requested that all positions that are vacant should be filled. That process is being attended to and includes short listing of candidates from the three towns constituting BCRM for low level positions.

ICT (Information Communication Technology)

The Community raised the issue of a person dealing with ICT in BCRM.

The BCRM is working on an ICT Strategy that would see to the needs of the Municipality. Subsequent to that the structure would be designed. The Strategy shall be developed in 2010/11 Financial Year.

AGRICULTURE

There is an agreement to develop an Agricultural Development Strategy because of the Commercial Nature of the business in BCRM. The request for

funding has been requested for 2010/11 from the Department of Rural Development.

LED / TOURISM

The Local Economic Development (LED) has been given over to the municipal entity, Blue Crane Development Agency (BCDA). The LED Strategy and Tourism Sector Plan is in place. The BCDA Board and Local Tourism Organisation are implementing the programs.

CLEAN AUDIT

The BCRM has approved the need to have a Clean Audit by 2014. In 2008/09, the Council received an Unqualified Audit.

In the 2009/10 year, BCRM is expected to convert from GAMAP to GRAP Standards of Accounting. It is also expected to consolidate with the Entity the Financial Statements.

The BCRM is presently concerned about the outcomes of the Entity (BCDA) to do (the) proper consolidation of Financial Statements.

Nonetheless, BCRM will put all their efforts into supporting the Agency to prepare their information (financial & performance) in line with GRAP requirements.

ASSESSMENT

The BCRM has evolved, and is expected to go through all the following processes:

- Establishment;
- Consolidation; and
- Sustainability.

The establishment process was supposed to cater for political structures establishment, set-up systems in line with the legal requirement, and recruit staff to provide the services that are allocated to the Municipality. Some of the functions had to be assessed to ascertain as to whether the Municipality is in a position to perform the function.

Subsequent to that, there had to be consolidation of the different systems, rationalisation of offices, staff, and operations in line with the Law that governs Local Government.

- Different town / municipalities had different systems.
- They had staff differences.
- There were offices and equipment in all towns.
- The financial systems were different.
- The provision of services was different.
- They had different rates / taxes paid.
- Financially, they differed in misce.
- They all had Senior Staff.

All that had to be consolidated and strategised in line with the new structure has been established.

The vehicle established to take the institution forward had to be sustained. The elements that do not 'fit the puzzle' had to be taken off; areas that needed more attention had to be lifted; the areas that needed transformation and a new way of doing things had to be attended to; the relationship with the Communities had to be different; and work ethics within the staff, where there is zero tolerance for corruption had to be inculcated.

The interconnectedness and interrelatedness of these phases led to challenges that connect the impact in terms of service delivery.

Amongst the challenges were:

- Provision of water and the MSA, section 78 exercise was not properly carried out. This led to multiple issues like staffing, quality of water, systems to manage water, and infrastructure status.
- The impact was that sustainability had been affected. Water services still needed some of the establishment processes. Unfortunately, resources for establishment processes are no longer available.
- The BCRM would then have some issues that

needed attention and mere not attended to. Now at a time when it is suppose to focus on sustainability, it still has to grapple with consolidation matters.

Some of those challenges are, inter alia:

- Water Services (there is a process to deal with these challenges).
- Financial consolidation of the AFS of BCRM and BCDA.
- Transformation of the institution.
- Community participation and engagement.
- Backlogs and old / aging infrastructure.
- Acquiring and retention of staff.

PERFORMANCE OF THE AUDIT COMMITTEE

The BCRM audit function is being shared with the Municipalities of Ikwezi and Camdeboo.

The Cacadu District Municipality co-ordinates:

- The advert and selection;
- Terms of reference;
- Appointment of the Service Provider;
- Reference to the various LM's.

The Audit Committee sits four times a year. It can meet on any other urgent matter. The Audit Committee is working closely with the Internal Audit Service. It is a shared and outsourced service. They are also co-ordinated by CDM and appointed in the same terms as the Audit Committee.

The Internal Auditors (KPMG) undertake a Risk Assessment workshop on the risks with possible solutions, program to respond on the risks identified and production of the final template for continuous assessment. The reports are submitted to the Audit Committee and Council. The two latter institutions instruct the Municipal Manager on matters with red flags. The Municipal Manager must action the decision and advice of the Audit Committee.

The challenge is to receive experienced and competent Performance Management

Practitioners to serve the Audit Committee and engage on information.

AUDITOR-GENERAL OPINION ON PERFORMANCE INFORMATION

- The concern of the Auditor-General on the Draft Framework (PMS) was acknowledged. It was later approved by Council.
- The need to cascade PMS beyond section 57 Managers was acknowledged. However, the Council is still required to negotiate with Labour Unions on the processes to do so.
- The outstanding matter was the incentive guidelines and procedure to deal with non-performance. The Audit Committee does not have PMS experience. This is a very scarce skill and Council is looking into the matter with the Council in the shared service.
- The dates are set for the assessment quarterly for all Managers. There is a need to stick to them unless there is a serious reason not to.
- The Auditor-General suggests that the performance information has some flaws. It could be true, because the process has just been introduced in the BCRM. It will mature as the engagement continues.
- The IDP objectives are the guiding principles in the drafting of the PMS Scorecard. This is the area we disagreed with the Auditor-General.
- Granted, there is no designated official to deal with PMS in the BCRM. The issue of resources is a challenge.

GENERAL COMMENTS ON GOVERNANCE

The Council of BCRM has a Plenary, Type Council. It has both Executive and Legislature function collapsed in Council.

There is no provision for an Oversight Committee like the mooted Local Government SCOPA. That role is mainly played in Council sittings and Committee Meetings. There is some level of effectiveness, but it could be enhanced when a specialised Committee is establishment. In its establishment,

it should ensure that it accommodates the Plenary Type formation.

The Mayor is also a Speaker in Council. The Mayor is a full-time candidate as per the designation by the MEC (Member of Executive Council).

The Council has four Committees to do its business:

- Finance Committee.
- Corporate Services Committee.
- Community Services; and
- Infrastructure Committees.

Out of the ten (10) Councillors, four of them chair the Committees. They meet, at least, eight (8) times a financial year. There is a consistent attendance, disbursement of business and discipline in the Committees and Council. There is political understanding within the Parties in the Council. The Council has five women and five men in its constitution. The ANC has eight (8) and the DA has two (2) Councillors.

WAY FORWARD

The Blue Crane Route Municipality needs to ensure that a specific purpose is placed on the following matters to enhance performance:

- Need to have high quality IDP.
- The SDBIP should take into account real timelines.

- The KPA/KPI's should be SMART.
- The assessment / review should be strict and audited effectively.
- The Audit Committee needs to ensure that performance is linked to real situation on the ground.
- The S71 (MFMA) reports should represent the SDBIP and clear KPA's.
- The half-year report should be taken to the community as a feedback.

When all of the above has been completed, the issue of performance will make sense to the community.

CONCLUSION

The Blue Crane Route Municipality has done well in the last few years. It needs to journey on this good path and success will be achieved. The ICT (Information Communication Technology) should be exploited as a mechanism to advance and deepen service delivery.



Ms. M. Scott
MAYOR





C. OVERVIEW OF THE MUNICIPALITY

13

a) GEOGRAPHIC AND DEMOGRAPHIC PROFILE

The Blue Crane Route Municipality is located in the western half of the Eastern Cape, approximately 150km north of the Nelson Mandela Metro. The area comprises of the former Municipal and Transitional Representative Area of Somerset East, Pearston and Cookhouse and a portion of the former Bedford TRC Area.

It comprises a number of settlements: Somerset East - including Aeroville, Mnandi Old Location, New Brighton, Westview and Clevedon; Pearston - including Nelsig and Khanyiso; and Cookhouse - including Bhongweni and Newtown. The Department of Water Affairs - Uitkeer was established to construct and maintain the Orange-Fish River Scheme.

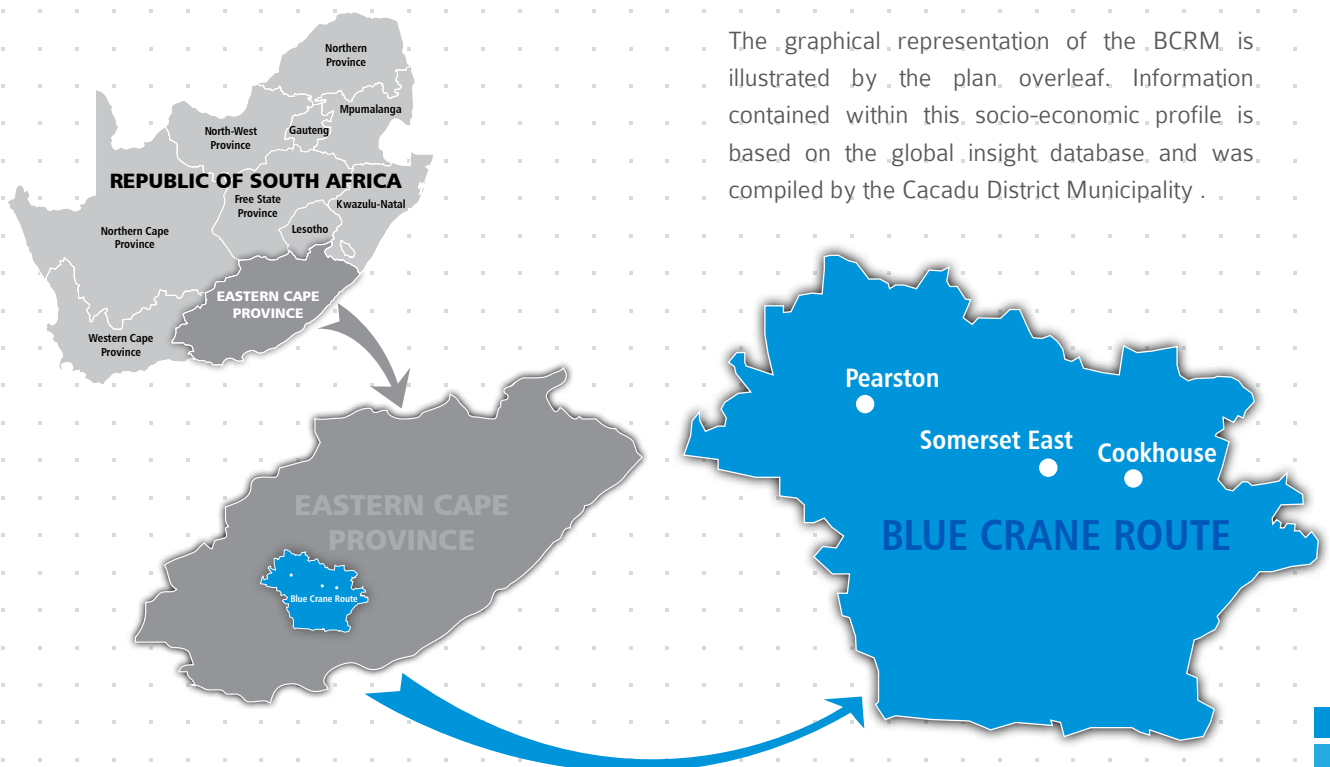
The area is characterised mainly by two prominent topographies, namely Bosberg Mountain Range linking the Winterberg Mountain Range, in the

east, to the Coetzeeberg Range in the west. The southern portion of the region is characterised by typical Karoo landscapes comprising grasslands and densely vegetated rivers and valleys.

Harsh climatic conditions are experienced with temperatures averaging between 6°C in winter and 29°C in summer. Veld types found in the region range from Nama Karoo, grasslands, and thickets to Afromontane forests in the mountainous region.

The settlement pattern of the Blue Crane Route is characterised by three prominent urban settlements, namely Somerset East, Pearston and Cookhouse. A number of under-utilised and derelict railway sidings are located in close proximity to the N10 Trunk Road bisecting the region. These sidings, partly habited, include Kommadagga, Sheldon, Middleton, Golden Valley, Klipfontein and Witmos.

The graphical representation of the BCRM is illustrated by the plan overleaf. Information contained within this socio-economic profile is based on the global insight database and was compiled by the Cacadu District Municipality.



b) SOCIO-ECONOMIC CONTEXT

The percentage of people in poverty has increased from 46% in 1996 to 55% in 2007 representing a total population of 19,859 people living in poverty.

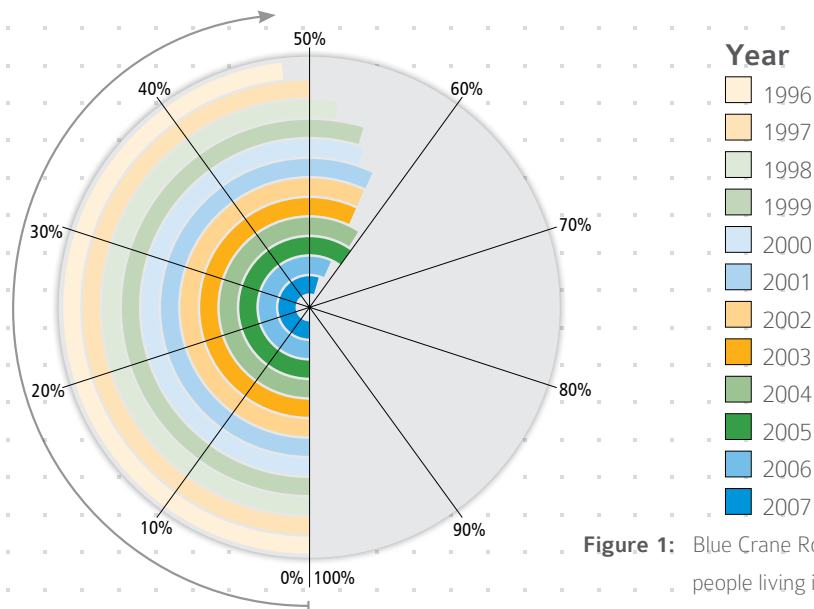


Figure 1: Blue Crane Route – Percentage of people living in poverty.

The level of education composition reveals that there has been an increase in higher levels of schooling within the Blue Crane Route Municipal area.

Eight percent (8%) of the population had a minimum of matric (Grade 12) in 1996, whereas 14% of the

population had a minimum of matric (Grade 12) in 2007.

Considering the skills shortages that currently exist, greater emphasis must be placed on the delivery of educational services.

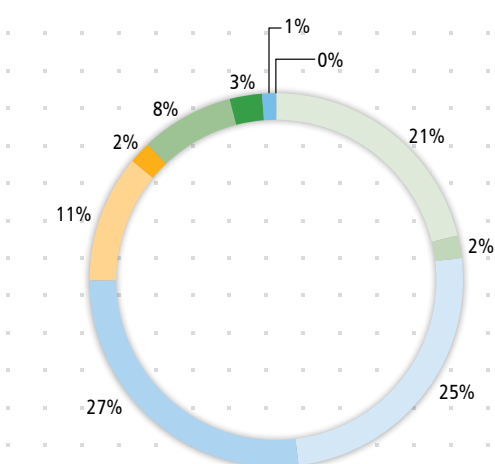


Figure 2: Highest level of Education, 1996.

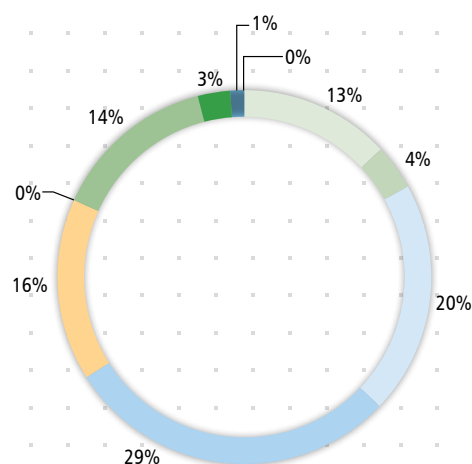


Figure 3: Highest level of Education, 2007.

No schooling
Grade 0 – 2
Grade 3 – 6
Grade 7 – 9

Grade 10 – 11
Less than matric & certificate / diploma
Matric only
Matric & certificate / diploma

Matric & Bachelors degree
Matric & Postgraduate degree

In 2007, the Blue Crane Route Local Municipality was 68.8% urbanised, compared to 71.4% of the Cacadu District Municipality.

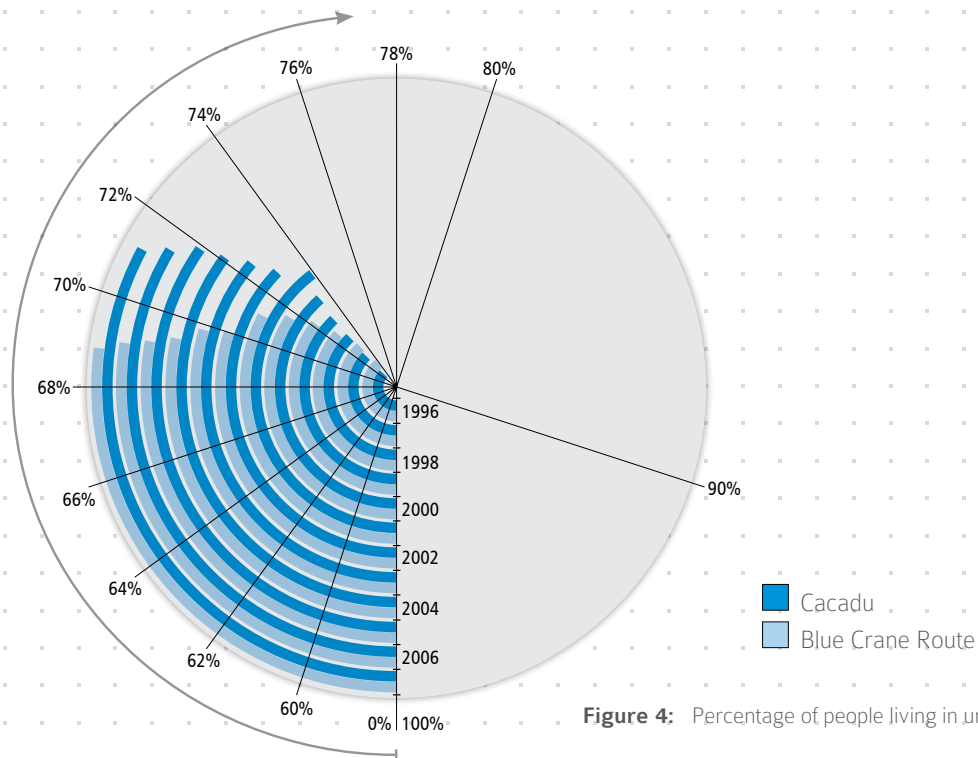


Figure 4: Percentage of people living in urban areas.

Labour

The percentage of people unemployed within the Blue Crane Route Municipal area in 2007 was 42.7%. There has been a gradual increase in the unemployment rate from 1996, which originally stood at 34.4%.

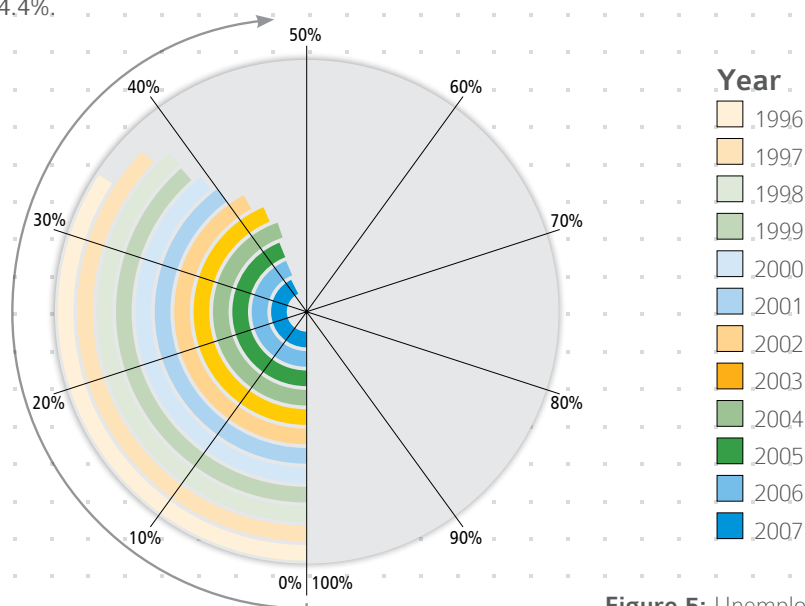


Figure 5: Unemployment rate.

Total employment within the Blue Crane Route Municipal area is dominated by the agricultural sector comprising 35.58%.

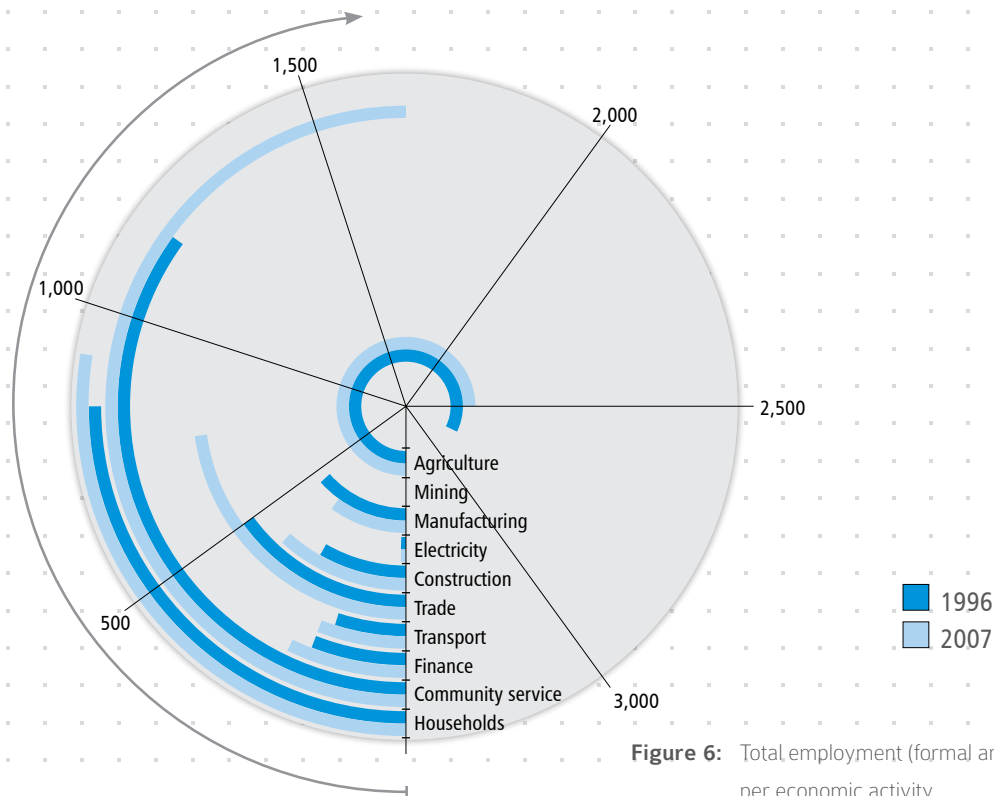


Figure 6: Total employment (formal and informal) per economic activity.

The highest levels of employment in the formal sector are in the Agricultural sector (43%) and the Community Services sector (27%).

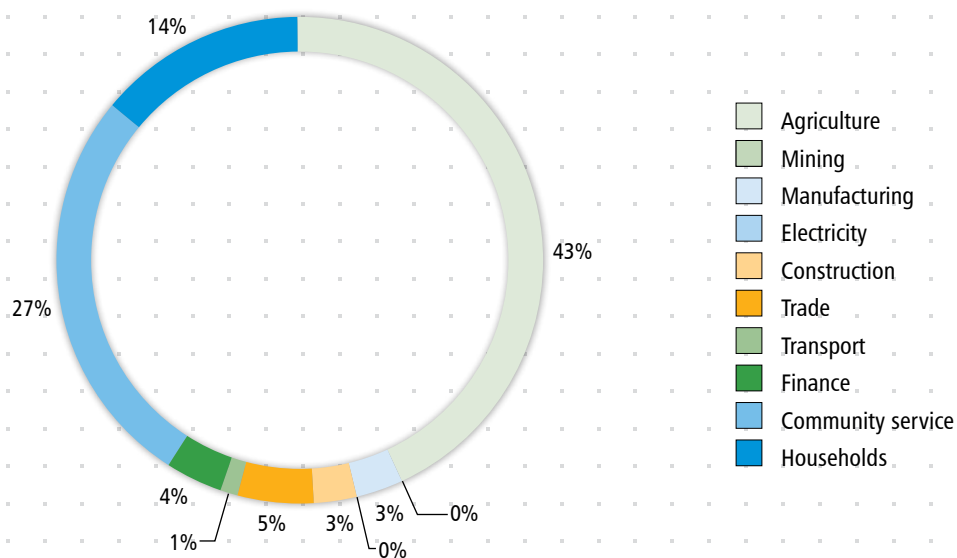
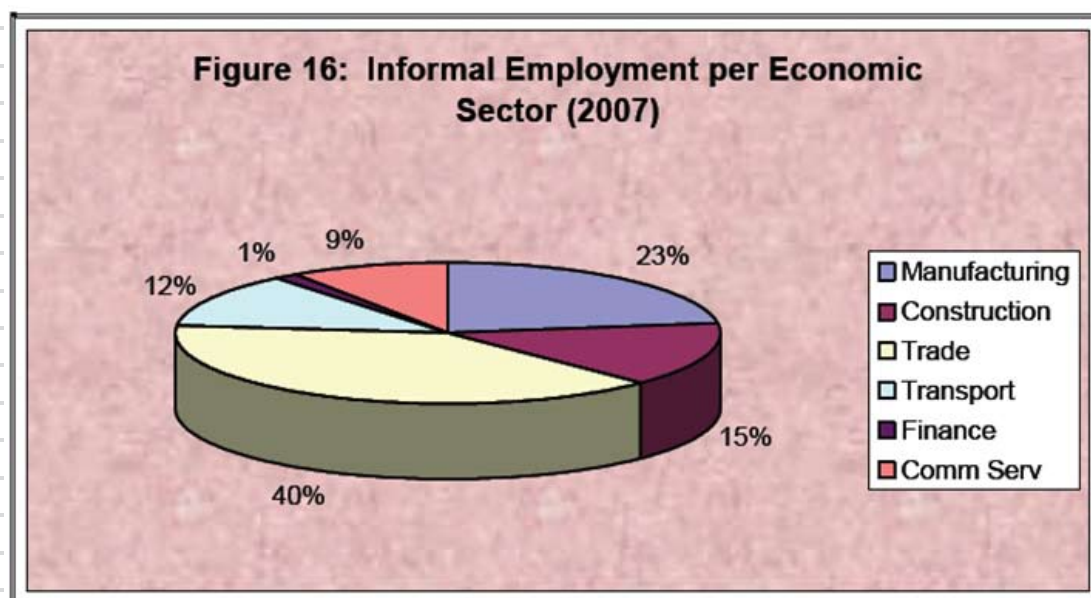


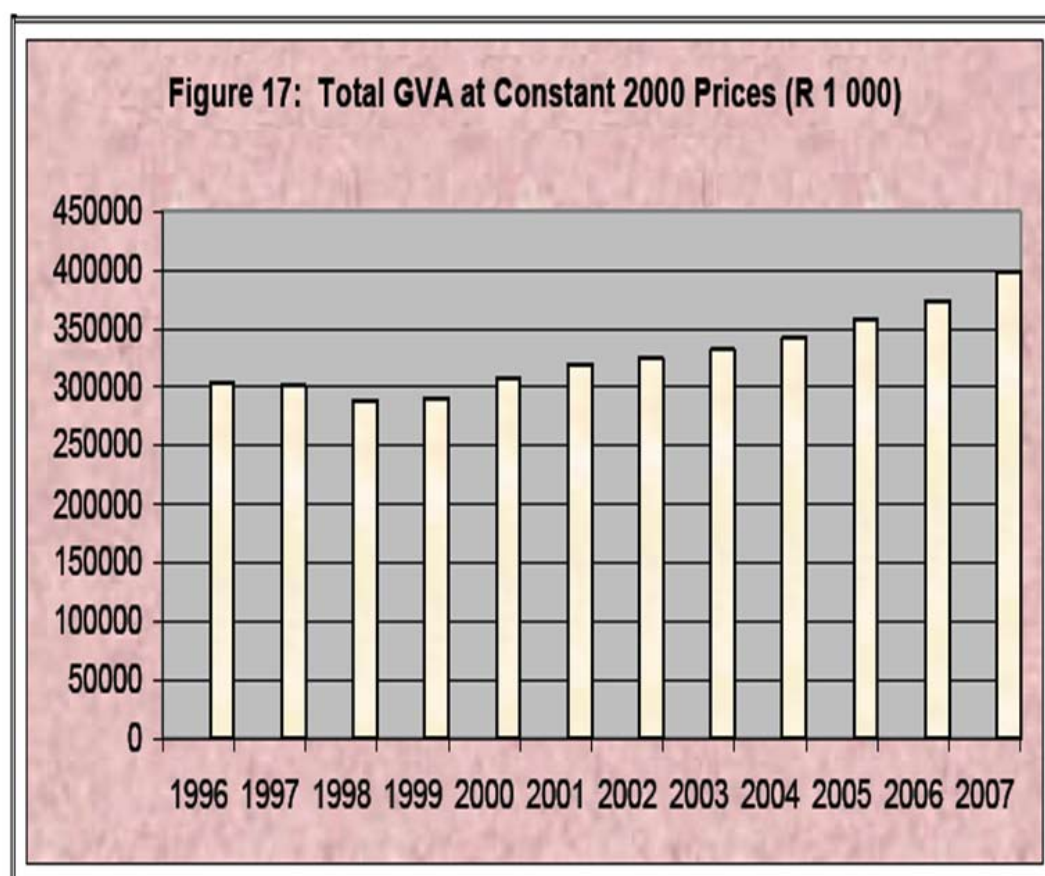
Figure 7: Formal employment per economic activity, 2007.

The dominant sector in the informal sector is day to day trading which accounts for 40% of informal sector employment.



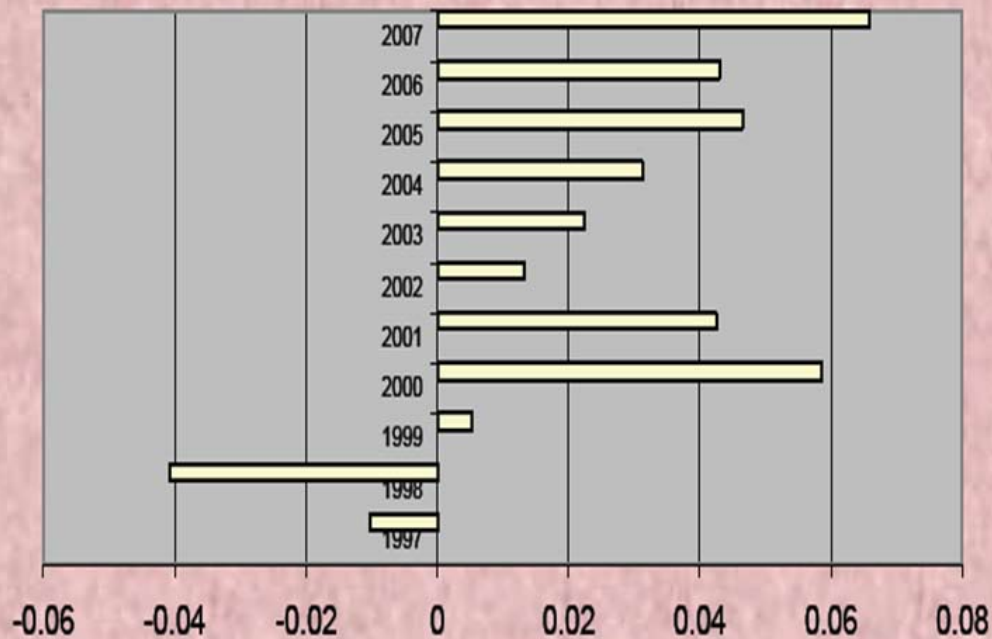
ECONOMY

Year on year GVA (Gross Value Added) at constant 2000 prices as reflected by the diagram below.

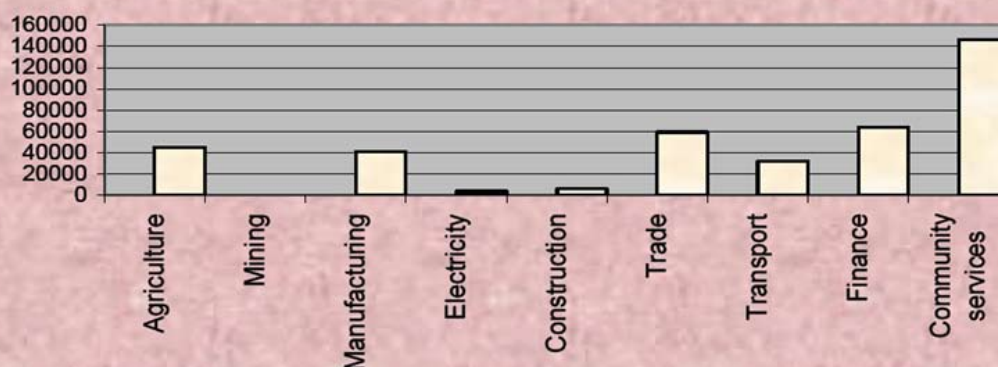


The Blue Crane Route Local Municipality's economy registered positive growth during the past decade. Blue Crane Route will have to maintain its growth rate to have a significant improvement in welfare indicators.

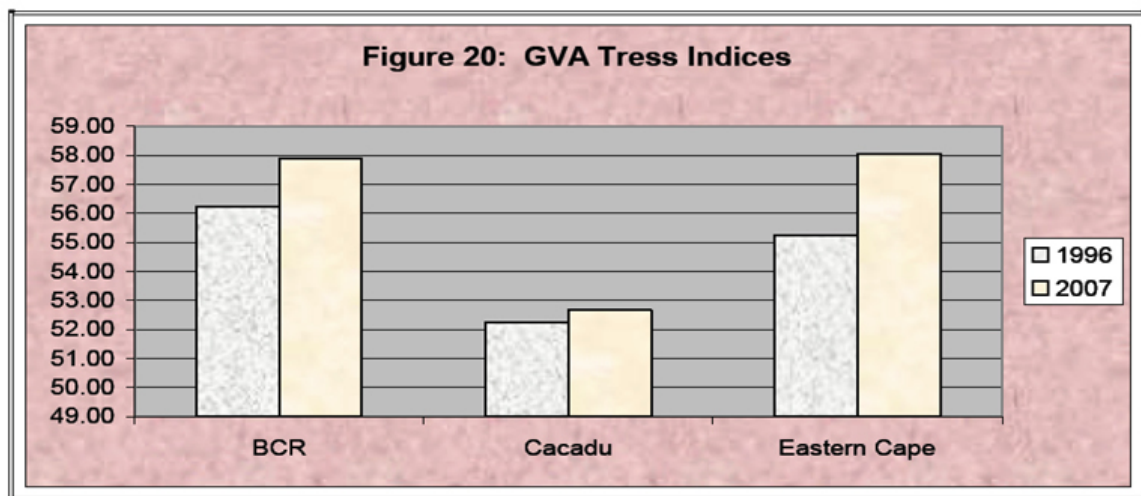
Figure 18: Annual Average Growth in GVA (BCR)



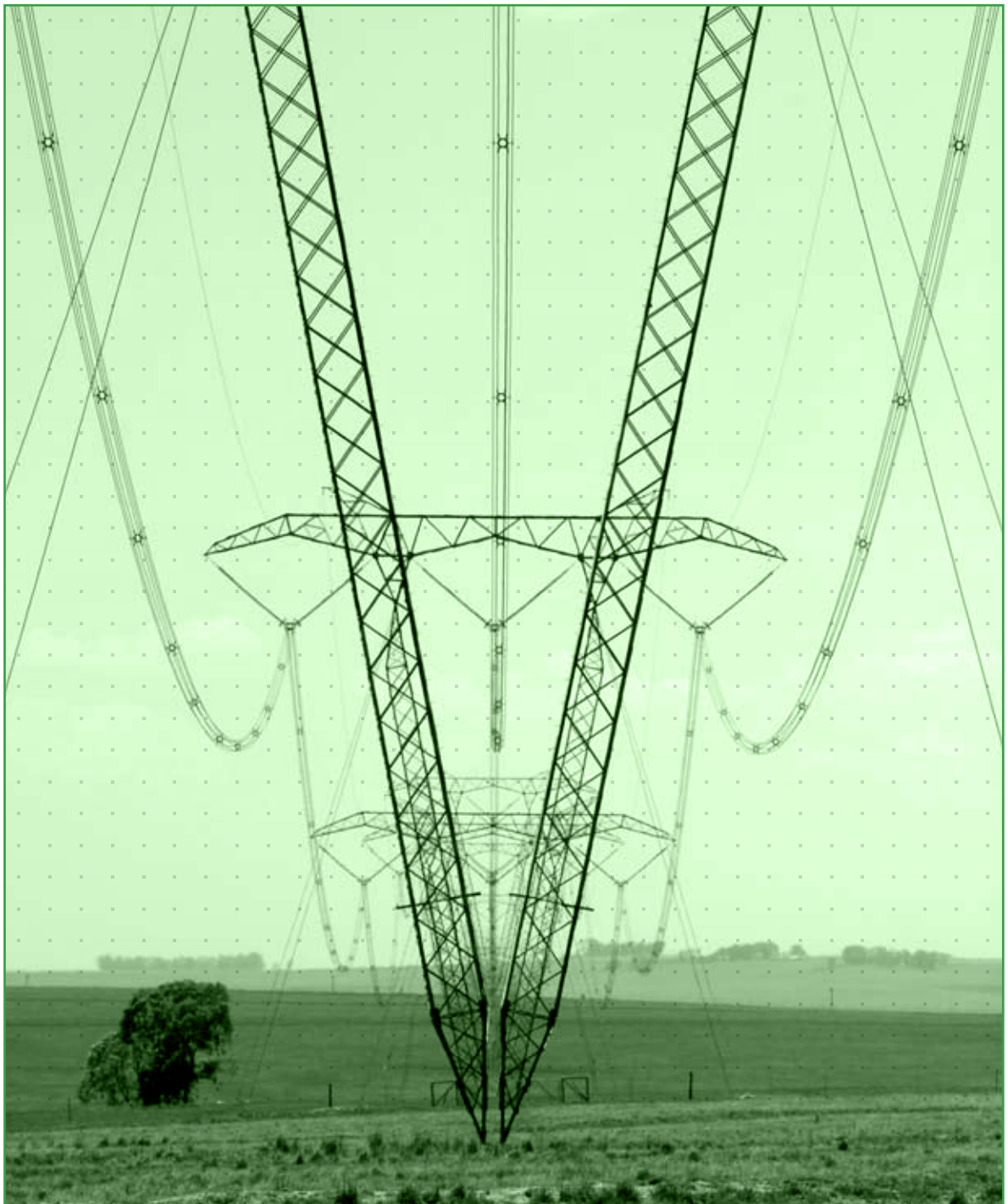
**Figure 19: GVA per Economic Sector - BCR 2007
(Constant 2007-Prices R 1000)**



The tress index indicates the level of diversification or concentration in an economy. A tress index of zero represents a totally diversified economy. On the other hand, the higher the index (closer to 100), the more concentrated or dependant on a few economic sectors and more vulnerable the regions economy to exogenous variables such as adverse climatic conditions, commodity price fluctuations, etc. The economic production structure of the Blue Crane Route Local Municipality is more diversified as compared to the Eastern Cape Provincial economy. The level of vulnerability for the Blue Crane Route Local Municipality has increased between 1996 and 2007 as indicated by the table below.



PART 2: Achievement Reports (Key Performance Area - KPA)



CHAPTER 1: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT (KPA 1)

21

1.1 PRESENTATION OF THE ORGANISATIONAL STRUCTURE

- The total number of approved posts of the entire institution is 372.
- The total number of vacant posts in the entire institution is 84.
- There are five Employment Contracts and five Performance Agreements of the Municipal Manager and Section 57.
- Managers submitted to the Department of Local Government and Traditional Affairs.

1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR

TRAINING	FUNDING	AMOUNT	ATTENDEES PER DEPARTMENT					
			Municipal Manager's Office	Finance Department	Corporate Services	Community Services	Technical Services	Council
Excel Computer	DBSA	R60 200.00	3	4	2	3	2	0
Intro to Computer	DBSA	R98 00.00	0	0	4	10	18	0
Word / PowerPoint	DBSA	R128 00.00	4	10	9	3	2	0
ABET	DOE	R114 000.00				11	27	
Water Purification	LGSETA	225 000.00					15	
Water Purification	LGSETA	R225 000.00			1	2	12	
Social Auxiliary Worker	LGSETA	R690 000.00				20		
Customer Care	DBSA	R52 500.00	2	1	5	5	1	1
Supervisory	LGSETA	R49 000.00				3	12	

1.3 KEY HUMAN RESOURCE STATISTICS PER FUNCTIONAL AREA

1. Full-time staff complement per functional area (examples are given below)

a. Municipal Manager/Section 57 employees and Line Managers

Approved positions (e.g. MM-S57, etc)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
Municipal Manager	1	1	0
Manager - Financial Services	1	1	0
Manager - Corporate Services	1	1	0
Manager - Technical Services	1	1	0
Manager - Community Services	1	1	0
TOTAL	5	5	0

b. Functional areas per organogram (e.g. Technical Services)

Approved positions (e.g. Managers/Assistant Managers, etc)	Number of approved posts per position	Filled posts	Vacant posts
Municipal Manager's Office	6	5	1
Technical Services	147	122	25
Community Services	128	105	23
Financial Services	33	26	7
Corporate Services	58	54	4
TOTAL	372	312	60

2. Technical staff registered with professional bodies

Technical Services (e.g. water, electricity, etc)	Total number of Technical Service Managers	Total number registered with accredited professional body	Total number pending registration or confirmation with accredited professional body	Total number not yet registered with accredited professional body
Electricity	1	1	0	2
Housing	0	0	0	2
Water	0	0	0	0
PHC	0	0	0	0
EHP	0	3	0	0
Administration	0	0	0	1
Finance	0	1	0	1
Engineers	0	0	0	2
Traffic	0	2	0	0
IMPSA	0	0	0	1
Technical	0	0	0	4
ICT	0	0	0	1
LED	0	0	0	1

3. Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with tertiary/ accredited professional training
312	159	62	91

4. Trends on total personnel expenditure

Financial Year	Total number of staff	Total approved operating budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006 - 2007	285	R 63 426 534.00	R 26 544 557.00	42%
2007 - 2008	293	R 73 360 621.00	R 29 156 595.00	46%
2008 - 2009	294	R 117 180 228.00	R 32 734 894.00	28%
2009 - 2010	312	R 149 153 241.00	R 40 841 586.00	27%

5. List of Pension and Medical Aids to whom employees belong

Name of Pension Fund	Number of members	Name of Medical Aid	Number of members
Cape Joint Retirement Fund	51	LA Health	9 + 11 pensioners
SALA	88	BONITAS	46 + 6 pensioners
SAMWU Provident Fund	134	SAMWUMED	16
Cape Joint Pension Fund	2	KEY HEALTH	1
Municipal Council Pension Fund	3		

6. List of Pension Funds and Medical Aids

Name of Pension Fund	Number of members	Name of Medical Aid	Number of members
Cape Joint Pension Fund	2	Bonitas	46
Cape Retirement Fund	141	LA Health	9
Sala Pension Fund	88	SAMWUMED	16
SAMWU Provident Fund	134	Key Health Gold	1
Councillor's Pension Fund	3	HosMed	0

The Council is up-to-date with all the statutory obligations for the year under review.



1.4 SENIOR MANAGERMENTS' WAGES AND BENEFITS

The Council pays an all-inclusive package to the five Senior Managers:

• Municipal Manager	- Moppo Mene	- R741 963.30
• Manager: Corporate Services	- Hans Hendricks	- R647 230.08
• Manager: Finances	- Delphine Sauls	- R618 333.69
• Manager: Community Services	- Yoliswa Sinyanya	- R618 333.69
• Manager: Technical Services	- Siphiwo Majali	- R618 333.69



1.5 PERFORMANCE MANAGEMENT SYSTEM

The BCRM used the Howard Cook System for the year 2006/07. In 2007/08 the Council concluded that it would use a much friendlier system. A request was made to the Cacadu District Municipality (CDM) for support. The CDM concluded a deal with German Technical Support (GTZ) to provide the support. An inception meeting was held, and a plan was drawn up for a way forward.

The process was intended to create:

- A process plan (Policy Guide).
- Framework (Policy).
- Scorecard (KPA & KPI's).
- Individual Performance contracts for Senior Managers.
- A process to allow cascading of the system by consulting Labour.

The process was delayed due to the appointment of a service provider. The Performance Management Contracts (PMS) were drawn up for Senior Managers and all the quarterly reviews were undertaken. The process is guided by the Framework that was approved in 2009/10.

Challenges

The PMS's challenge was formulated:

- Framework approved 2009/10 Financial Year.
- Discussion with Labour to cascade PMS.
- An incentive guideline for below Senior Management staff.

1.6 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
Vacancy rate for all approved and budgeted posts	372	288	69%	Other positions are being advertised. Awaiting for short listing and interviews
Percentage of appointments in strategic positions (Municipal Manager and Section 57 Managers)	5	5	100%	
Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skills development training course within the Financial Year	5	5	100%	
Percentage of Managers in Technical Services with a professional qualification	3	1	87%	
Percentage of municipalities that have adopted the Performance Management System within the district area (DM only)	DM	DM	DM	DM
Percentage of staff that have undergone a skills audit (including competency profiles) within the current five- year term	288	288	100% - in terms of capturing the information and prioritising skills needs	
Percentage of councillors who attended a skill development training within the current five- year term	10	10	100%	
Percentage of staff with disability	0	0	0	The Council is about to address the issue of disability.
Percentage of female employees		103		
Percentage of employees that are aged 35 or younger		67		

1.7 MAJOR CHALLENGES AND REMEDIAL ACTIONS IN REGARD TO HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

The Municipality, like all other small municipalities, is facing a challenge in attracting scarce skills. This compels the Municipality to continue outsourcing services such as appointing chairpersons for disciplinary hearings. Training through the Workplace Skills Plan will assist in overcoming many of these challenges, as targeted training programs are arranged to facilitate employees.



CHAPTER 2: BASIC SERVICES DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

2.1 WATER SERVICES

a. Water Services delivery strategy and main role-players

BCRM operates as WSP and WSA for all water services in the municipal area. Somerset East is located in the Local Municipal Area of the BCRM, which is located within the Cacadu District Municipality.

The three main towns in the BCRM are: Somerset East, Cookhouse and Pearston, with Somerset East being the economic and social hub of the Municipality. To supply water to the different areas, the Municipality obtains its water from the Orange-Fish Irrigation Scheme, boreholes, and surface down flows.

• Somerset East

Bulk water supply for Somerset East originates from fountains situated in the mountains, boreholes and extraction from the Orange-Fish River Scheme via the Somerset East Irrigation Sub-Area Canal. Water consumption demand is currently putting great pressure on some parts of the supply infrastructure where water supply bottlenecks appear to be problematic. The current extraction exceeds the registered volumes of that from the Canal, as well as the supply from the Bestershoek area.

• Cookhouse

Cookhouse extracts its water from the Hougham Abrahamson Canal and the Boschberg Canal. The only registered supply is that from the Hougham Abrahamson Canal and the current extraction volume exceeds the registered allocation. Legal requirements regulating the water supply to Cookhouse need to be attended to.

• Pearston

Only boreholes supply the town of Pearston with water. The borehole supply is registered and in line with the specific water use, but the registered allowable volumes of extraction is not realistic and needs to be reviewed.

b. Levels and Standards in Water Services:

• Somerset East

The bulk raw water supply for the town of Somerset East consists mainly of the extraction of Orange-Fish River Scheme water from the Somerset East Irrigation Sub-Area Canal (SEISA), supply from boreholes and supply from fountains and mountain runoff in the Bestershoek area. Raw water is extracted from the SEISA Canal where it is currently pumped to the Orange-Fish Water Purification works at a rate of 94m³/hr. The allocated extraction limit from the Canal is 100m³/hr.

The Orange-Fish Purification Works was designed to treat a capacity of 54l/s, but can only achieve a maximum output of 45l/s. The total amount of raw water that was pumped from the SEISA Canal in the last year was measured to be 1803m³/day on average with 133 days pumping totalling 239 799 m³/a. Actual measured volume extracted from the Canal was 226 244m³.

During rain, runoff water accumulates in the Bestershoek catchment area. The runoff supplies the Bestershoek Dam, which overflows into the Van Der Walt Dam lower down in the same valley. Overflow water from the Van Der Walt Dam is channelled to Lake Bertie. All three holding dams are earth dams. Lake Bertie is situated

approximately 2.7km south east from the Van Der Walt Dam.

Several fountains draining from the Bestershoek Valley and mountains feed into the Bestershoek Dam. These fountains have been developed in the past and feeds down to the Bestershoek Dam in pipelines. During dry seasons or drought the yields of the fountains seized.

Raw water is extracted from the outlet structure of the Dam to the Bestershoek Purification Works beyond, by means of gravity. The incoming raw water supply is measured at the works. Raw water is also pumped from the Van Der Walt Dam lower down the valley to the Purification Works at Bestershoek having a purification capacity of 27l/s.

- **Cookhouse: Extraction from Hougham-Abrahamson Canal**

The extraction from this point is by means of a pump system. The water is extracted from the canal by means of flooded suction from a sluiced take-off into the pump house from where it is pumped by means of a 150mm diameter pipeline to the newly constructed water treatment works with a capacity of 53l/s. The length of the pipeline is measured to be approximately 1800m. The water extraction from the canal is measured by means of a water metre situated on the suction line into the pump house. An agreement existed between the Hougham-Abrahamson Irrigation Board and the Cookhouse Transitional Council for the extraction of a maximum of 100m³/hr subject to a maximum of 365 000m³/annum (29.2ha) of raw water. Currently the measured extraction rate is calculated to be approximately 52m³/hr on average. The pump station is equipped with two pumps with 22kW electric motors with a maximum capacity of approximately 55m³/hr.

From the above it is calculated that the current pumping rate is 55% of the volume agreed upon in the existing agreement and we are therefore of the opinion that the existing pump station and

rising main has been under designed for optimum utilization of the available water from the Canal. No records of registration exist of the 40MI retention dam at the new WTW.

- **Cookhouse: Extraction from Boschberg Canal**

The Boschberg Canal was originally constructed as a community scheme by the members of the Boschberg Sub-Area (formerly the Boschberg Irrigation Board) - to a capacity that was determined by the needs of the members. The Scheme was funded by the members. The Boschberg Canal feeds from the Orange-Fish River Canal and supplies water to its members downstream until it ends at the Van Aardt Dam adjacent to Cookhouse - privately owned by a local farmer.

With the serious shortage of portable water for the town of Cookhouse, the Cookhouse Local Council approached the Boschberg Sub-Area at the time regarding an interim agreement that the Council would be able to use "excess overflow water" not utilised at the time by the members of the Board. A verbal agreement was made that in exchange for assistance in maintaining the Canal and the sealing of the Van Aardt Dam, the Council could utilise the excess water. There is no evidence of any volumes mentioned.

The Council, as result of the "gentlemen's agreement", had a sluice distributor and a pipeline constructed from the end of the Boschberg Canal to the new water treatment works in Cookhouse. The pipeline is 315mm dia. uPVC. The Municipality made use of the excess water from the Boschberg Canal by means of this system, but could never rely on a guaranteed supply from the Canal. In 2005, the Blue Crane Municipality formally applied to the Department Of Water Affairs for an allocation of water via the Boschberg Canal. It was turned down by the Boschberg Sub-Area stating that no permanent excess capacity was available. They did however agree to temporarily assist should excess capacity be available.

- **Pearston: Extraction from Boreholes**

The water supply to the town of Pearston is completely dependent on the supply of water from boreholes. In total, three boreholes contribute to the bulk supply of water to the town.

The greater extraction is done from the Rustenburg Borehole. Some small farmers, as well as the main supply to town, are relying on the supply from this one source.

c. Annual performance as per key performance indicators in water services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Number of households/ customers reached during the Financial Year	Percentage of achievement during the year
Percentage of households with access to portable water	100%				
Percentage of indigent households with access to free basic portable water	35%				
Percentage of clinics with access to portable water	100%				
Percentage of schools with access to portable water	100%				
Percentage of households using buckets					

d. Major challenges in Water Services and Remedial Actions

The following challenges are faced by the BCRM:

- **Pearston**

Pearston obtains its water from boreholes only. One of the boreholes (Rustenburg) supplies approximately 70% of the town's water. Consumption increased with the bucket eradication program and the borehole is over exploited. If this borehole collapses, the town will be left without sufficient water.

- **Somerset East**

Water is obtained from surface water that is seasonal and rainfall dependant, as well as water from the Orange-Fish Irrigation Scheme. The town is dependent on the only reliable source, being the Orange-Fish Canal supply. A project has been

drawn up with MIG for a new bulk water pipeline to ensure that the town will be able to overcome any water shortage threats in the future.

- **Cookhouse**

Due to the fact that Cookhouse was administered by the old Transnet, all assets and rights still resides with Transnet. The town is dependent on water from the Orange-Fish Irrigation Scheme and has no surface or borehole sources.

The present water supply to the town is not reliable, and a pipeline is required from the Orange-Fish Scheme to secure sustainable water to the town.



2.2 ELECTRICITY SERVICES

a. Electricity Services delivery strategy and main role-players

The Municipality is the provider of electricity within Blue Crane Route. The formal supply of electricity ranges from a full connection and prepaid system to a ready board system. Table 2.15 provides a breakdown of electricity provision in the Municipality.

Table 2.15: Energy Provision

Type	No. of Households	Percentage %
Electricity	8 515	64.4
Other electricity	173	1.4
Gas	68	0.5
Paraffin	3473	26.2
Candles	950	7.2
Other	0	0
Unspecified	34	0.3
TOTAL	13 213	100

It is evident that the majority of consumers have access to either electricity or paraffin as a source of power and heat. Street lighting is provided to all urban neighbourhoods except for high mast lighting in Aeroville, Old Location, New Brighton and Francesvale (Somerset East Urban Area). A major capital outlay is however envisaged to upgrade both urban and rural networks.

b. Level and standards in electricity services

Table 2.17 indicates the community needs that were identified during the community participation process.

Table 2.17: Electricity in context (Community Needs Analysis)

Geographical Area	Development Need & Description
Somerset East	Street lights, upgrading of electricity network, street lights from Abattoir to Mnandi
Cookhouse	Street illumination
Pearston	Upgrading of street lights, upgrading of electricity network
Blue Crane Route	Reviewed Sector Plans: Electricity Network

The overhead line from Somerset East to Pearston and other areas is currently running at full capacity. A new transformer is to be installed as an emergency measure. Another possibility is to incorporate the supply of Aeroville into Somerset East and take it out of the Cookhouse line.

Electricity has been included in the infrastructure analysis because of the importance of this basic service in the lives of all individuals. The BCRM has a good infrastructure base but upgrading is needed in order for the service to be provided effectively.

The CBP exercise highlighted the need for the maintenance of existing electrical infrastructure especially street lights (Project Light Beam). Community members have a willingness to conduct a monthly audit on street lights that need repair and submit these reports to the Municipality for implementation.

c. Annual performance as per key performance indicators in Electricity Services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Number of house-holds / customers reached during the Financial Year	Percentage of achievement during the year
Households with access to electricity services	590- New houses	950- 400-Somerset East. 100 shacks in Cookhouse. 30 in Aeroville. 20 Pearston	120 HH for new houses	-	-
Indigent house-holds with access to basic electricity services	100%	950-those who will occupy RDP houses	120 HH	Still building houses	N/A
Indigent house-holds with access to free alternative energy sources	None	Need to work on the matter	-	-	-

d. Major challenges in Electricity Services and Remedial Action

Challenges

- The electricity network is old.
- Need to upgrade the network.
- Staff challenges.
- Funding to fully implement Electricity Master Plan.
- Infrastructure needs to be revamped, and
- The grid is operating at 100%.

Possible Solutions

- Already engaged in ring-fencing exercise.
- Budget and ask for funding for network upgrade (application done).
- Gradual phasing in of staff employment due to financial muscle.
- Prioritise the implementation of the Master Plan.
- Medium- to long-term plan for infrastructure, and
- The BCRM is engaged with Eskom to increase the capacity of the grid.

2.3 SANITATION

a. Sanitation Services delivery strategy and main role-players

As a WSP and a WSA, the Municipality takes full responsibility for sewage disposal and treatment in all towns.

b. Level and standards in Sanitation Services

BCRM has eradicated all buckets and its residents have access to decent sanitation facilities. BCRM is in the process of upgrading the bulk WWTW facilities in all towns and the status is as follows:

Pearston

Pearston has a newly build WWTW facility. The facility has been under-designed and needs to be enlarged.

Somerset East

Residential reticulation in the town is old and requires intensive maintenance actions.

At the moment a new activated sludge purification works in one Ward Committee, Ward 1, was dissolved following a vote of no confidence in them passed by the community members for this Ward. Training for the newly elected Ward Committee Members for Ward 1 will be arranged early during the 2009/10 Financial Year. Council expects good performance by Ward Committees for the next Financial Year in terms of having regular meetings, submitting minutes of such meetings, making input to Council on matters that they wish to be considered, as well

as submitting the necessary activity reports.

The project will be done in phases and the first phase is under construction.

Cookhouse

The bulk WWTW needs to be upgraded and the project is under-design. MIG funds have been allocated to the project, but the progress has been retarded due to an EIA study that could not be completed in the past three years.

c. Annual performance as per key performance indicators in Sanitation Services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review	Number of households/ customers reached	Percentage of achievement during the year
Households with access to sanitation services	792	792	300	Still awaiting bulk connection	Already installed but not connected
Indigent households with access to free basic sanitation services	100%	100%	100%	100%	100%
Clinics with access to sanitation services	100%	N/A	N/A	N/A	N/A
Schools with access to sanitation services	99%	1% farm schools	1%	99%	Still to install for farm schools

2.4 ROAD MAINTENANCE

a. Road Maintenance service delivery strategy and main role-players

BCRM has a well established section within the Department of Infrastructure that is building and constructing roads in the Municipality. New roads and streets are under permanent construction in the Municipality.

The status of existing bitumen surfaced roads is deteriorating, as the Municipality does not have sufficient funding for road maintenance.

b. Level and standards in Road Maintenance Services

The general status of roads in the urban areas

of Blue Crane Route range from tar surfaced in central business areas and higher income residential areas to gravel surfaced and graded roads in the middle- and low income areas respectively.

The maintenance of roads throughout the entire Blue Crane Route Municipal Area (urban and rural) is problematic due to the lack of funding. Urgent attention and funding is needed to address this problem.

The Table hereunder indicates the community's needs that were identified during the community participation process.

Table: Roads & Storm Water in context

GEOGRAPHICAL AREA	DEVELOPMENT NEED & DESCRIPTION
Somerset East	<ul style="list-style-type: none"> • Upgrading of tarred streets and roads; • Resealing of tarred roads, tarred or paved roads between Abattoir and Mnandi; • Flooding at Koffie Street; and • Possible upgrade of furrow at bottom of mountain.
Pearston	<ul style="list-style-type: none"> • Tarring of roads, bridge and pedestrian bridge on both sides and tarring of airfield runway; • Upgrading of major roads to the township.
Cookhouse	<ul style="list-style-type: none"> • Upgrading of tarred streets and roads.
Blue Crane Route	<ul style="list-style-type: none"> • Roads and Storm water drainage.

2.5 WASTE MANAGEMENT

a. Waste Management service delivery strategy and main role-players

The Municipality is responsible for the collection, transportation and disposal of waste. It is using the door to door kerbside collection system. Residents are provided with black refuse bags for household refuse, which is collected once a week. Garden refuse is collected loose from the pavements and transported to the waste disposal sites. Business refuse is collected twice a week.

Other role players are private people doing recycling of cardboards, plastics and bottles. The Municipality collects cardboards from businesses and offload them at the premises where recycling is done at least twice a week. The rest of the recyclable material is collected by specific individuals from the business. The community also sells these materials to the owner of the business responsible for recycling.

The Environmental Health practitioners are conducting awareness campaigns in the community in the form of clean-up campaigns. The community is educated on the importance of keeping our environment clean by ensuring that waste is stored hygienically and only taken out to the kerbside on the days when municipal trucks are collecting. Clean-up campaigns are also aimed at reducing illegal dumping and littering by the community members.

Even though there are challenges at the waste disposal site in terms of proper management of the site, waste is disposed there on a daily basis with the assistance of one general worker who separates household from garden refuse. Household refuse is dumped into trenches while garden refuse is dumped on the ground and occasionally compacted.

b. Level and standards in Waste Management Services

The urban areas of BCRM receive high levels of waste services, while only few areas in the farm areas receive this service. As promised to the residents of this area, household refuse is collected on a weekly basis. The challenge in service standards still affects the collection of garden refuse. Due to shortage of equipment, the collection of garden refuse is not as effective as it should be.

c. Annual performance as per key performance indicators in Waste Management Services

Indicate or name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review	Number of households	Percentage of achievement during the year
Percentage of house-holds with access to refuse removal services	10297 + 400 Chris Hani	120 Zinyoka	120	10297 + 400	100%

d. Major challenges in Waste Management Services and Remedial Action

Challenges	Remedial Actions
Even though two of the waste disposal sites are permitted, none of them complies with the minimum requirements for waste disposal sites.	Pearston site needs to be permitted. The Somerset East site needs to be closed and a new piece of land must be identified for the establishment of a new site. Some projects have already been identified to rectify this and are included in the IDP. Application for MIG funding has been submitted.
Shortage of equipment and staff	A front-end loader is needed to improve service delivery. The number of general workers at the disposal site must be increased and trained on proper management of the site.
Poor supervision of employees and work performance in some of the areas.	A foreman for Somerset East must be appointed so that the senior foreman can have enough time for supervising other areas and be more visible especially in Cookhouse and Pearston.

2.6 HOUSING AND TOWN PLANNING

a. Housing and Town Planning service delivery strategy and main role-players

The main role players regarding housing within the Municipality comprises of the Municipality itself whose role is limited to making available the necessary land, undertake waiting lists and beneficiary administration and fulfil a limited role with regards to quality control. The Department of Housing, in the Province of the Eastern Cape, is the developer and is appointing contractors to construct houses, as the Municipality has no capacity to manage housing projects.

The Municipality has no town planners and this service is therefore outsourced. The Department of Housing further assists the Municipality, by appointing service providers to undertake planning, surveying and installation of services.

b. Level and standards in Housing and Town Planning Services

Housing Act, 1997, requires that the Minister of Housing determine, among other things, national norms and standards for housing development. The rationale for the provision in the Act relates to the fact that in many situations, the housing subsidy had been absorbed by unaffordable and unsustainable levels of municipal services.

The Norms and Standards define two things:

- Municipal services to be subsidised by the housing subsidy: the focus here is on the types of basic internal reticulation services that can be subsidised with the portion of subsidy earmarked for internal infrastructure, rather than the specific levels of basic services.
- Minimum size of top structure as well as specific standards for its construction.

If a project is awarded the maximum 15% variation of the full subsidy amount to cater for abnormal development costs arising from location, geotechnical and topographical conditions, this may be applied to either the municipal services or a combination of the services and the top-structure component of the development.

Guidelines for housing construction and engineering standards are found in three different sources:

- The NHBRC Technical Requirements, published in the NHBRC's Home Building Manual, set design and construction standards for NHBRC registered builders to follow. The Manual also provides guidelines to assist in achieving good quality construction and performance on site.
- The National Building Regulations relating to Health and Safety Standards, as set out in the National Building Regulations and Building Standards Act, 1977 (Act No 103 of 1977).
- The Guidelines for Engineering Services and

Amenities in Residential Township Development (commonly referred to as the "Red Book") provides information and guidance on the various options available to planners and developers in developing residential towns. The long name of the "Red Book" is "Guidelines for Human Settlement Planning and Design". The new "Red Book" covers essentially the same material as its predecessors, **but is categorised in the following manner:**

- Planning method and participation.
- A philosophical approach to settlement making.
- Guidelines relating to settlement making.
- Planning guidelines.
- Storm water management.
- Roads: Geometric design and layout planning.
- Roads: Materials and construction.
- Water supply.
- Sanitation.
- Solid waste management, and
- Energy.

c. Annual performance as per key performance indicators in Housing and Town Planning Services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review	Number of households/ customers reached	Percentage of achievement during the year
Percentage of households living in informal settlements	800	800	400	400 Chris Hani	50%
Percentage of informal settlements that have been provided with basic services	80% 750	20% 750	60% 400	400 Chris Hani	80%
Percentage of households in formal housing that conforms to the minimum building standards for residential houses	80% 300	20% 300	60% 200	75%	75%
Rectification	3000	3000	3000	Tender by DHS	Not yet

d. Major challenges in housing and town planning services and remedial actions

Challenges

Challenges facing housing delivery within the Blue Crane Route Municipal area are as follows:

- Housing is a Provincial function.
- There is aging and insufficient infrastructure.
- Housing delivery is progressing very slowly due to contractor capacity.
- Some contractors are not keeping to specifications so as to build within the required standard.

Remedial action

The establishment of a Housing Unit with the required technical expertise can go a long way in addressing the challenges raised in the above, provided that the Department of Human Settlement provide the necessary funding in this regard.

2.7 SPATIAL PLANNING

a. Preparation and approval process of Spatial Development Framework:

The Municipality, assisted by Urban Dynamics, has developed a Spatial Development Framework (SDF) that is about to be reviewed with the assistance of the Cacadu District Municipality due to the new development initiatives that include Bestershoek, Vlei Area and other initiatives.

The SDF forms a legally binding component of the Municipality's Integrated Development Plan and is a refinement of the broad spatial framework guidelines contained in the IDP. The main aim of the Spatial Development Framework is to formulate spatially based policy guidelines whereby changes, needs and growth in the region can be managed to the benefit of the community. The Spatial Development Framework further guides and informs all decisions of the Municipality relating to use, development and planning of land. This is balanced with the need to provide adequately for the social and economic needs of the growing

population. In particular, it identifies opportunities for further development and conservation and make recommendations as to where, and how, development or conservation should take place. In doing so, the framework does not make detailed proposals for specific land portions, but rather provides broad spatial guidelines to assist decision making with regard to land use/spatial planning.

b. Land Use Management

The following applications have been received and approved by Council during the year under review:

• Rezoning	- 17
• Sub-division	- 4
• Consent use	- 0
• Removal of restrictive conditions	- 0
• Township establishment	- 0

c. Major challenges in Spatial Planning Services and Remedial Actions

The Municipality does not have a Town Planning Unit and is therefore outsourcing this function. The Municipality is working closely with the Cacadu District Municipality who is most willing to assist, when it comes to spatial planning services. The Municipality is also utilising the experts in the field of spatial planning, employed by the Development Bank of Southern Africa. Attempts have been made to have some of them deployed to the Blue Crane Route Municipality.

2.8 INDIGENT POLICY IMPLEMENTATION

a. Preparation and approval process of the Indigent Policy

The Blue Crane Route Municipality does have an Indigent Policy. The Policy has been reviewed for 2009/10. Yearly, during the public consultation for budget and IDP, the Ward Councillors, Ward Committee and the community are consulted about the proposed subsidy allocated for the upcoming Financial Year. The subsidies were approved for implementation on the council's tariff structure for 2009/10.

b. Implementation of the Policy

Indigent households are subsidised for 6kl of free water, 50kwh free electricity, refuse, sanitation and rates, for the Financial Year 2008/2009. A door to door campaign was undertaken to ensure that all people register. Councillors then verify the list for their respective Wards.

2.9 Overall Service Delivery Backlogs

Basic service delivery area	30 June 2008			30 June 2009		
Water backlogs (6KL/month)	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. households not receiving the minimum standard service)	0	0	0	0	0	
Backlogs to be eliminated (%: total households identified as backlog/ total number of households in the Municipality)	0	0	0	0	0	
Spending on new infrastructure to eliminate backlogs (R000)	881000	881000	882000	R45 million	R45 million	
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)	Refer to maintenance backlog study					

Electricity backlogs (30KWH/month)	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. HH not receiving the minimum standard service)	6	6	6	6	6	6
Backlogs to be eliminated (%: total HH identified as backlog/ total number of households in the Municipality)	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	R5mil	R5mil		R5mil	R5mil	
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						



Basic service delivery area	30 June 2008			30 June 2009		
Sanitation backlogs	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. households not receiving the minimum standard service)	13	13	13	13	13	13
Backlogs to be eliminated (%: total households identified as backlog/ total number of households in the Municipality)	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	R4 million	R13,1 million	R13,1 million	R13,1 million	R13,1 million	R56 million
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)	Refer to infrastructural backlog study					

Road Maintenance backlogs	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. households not receiving the minimum standard service)	0	0	0	0	0	0
Backlogs to be eliminated (%: total households identified as backlog/ total numb of households in the Municipality)	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	R4,8 million	R6,8 million	R4,8 million	R9 million	R9 million	R34,4 million
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)	Refer to maintenance backlog study					



CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK

3.1 LOCAL ECONOMIC DEVELOPMENT (LED) STRATEGY

Blue Crane Development Agency:

INTRODUCTION

The Blue Crane Route Municipality, referred to as BCRM, is situated in the western region of the Eastern Cape Province. The western region (Cacadu Regional District) consists of nine local municipalities, of which the Blue Crane is the largest in size.

The BCRM is a municipality established in terms of the Demarcation Act of 2000 and incorporates the previous municipalities of Somerset East (Municipal seat of the BCRM), Cookhouse and Pearston. The BCRM covers an area of approximately 9914 square kilometres and is geographically the largest municipality in the Cacadu District. The municipal area is inhabited by + 40 000 people.

The Industrial Development Corporation (IDC) commenced with the establishment of development agencies in 2001 after being requested by the government to create local development agencies to assist the current municipal Local Economic Development (LED) function with identifying/implementing larger projects that could in reality have a major positive impact on the local economies of municipalities.

In July 2003, the BCRM applied to the IDC for the establishment of a local development agency in terms of a resolution taken by the BCRM. The application was approved in February 2004 and the Blue Crane Development Agency (BCDA) came into being as the development arm of the Municipality. The BCDA is currently in the last of the three implementation phases.

The BCDA drafted an Integrated Development Plan (IDP) to put the BCDA on a developmental and employment absorbing growth path, for the long-term. The competitive positioning of the area and the many favourable conditions offered is underlined in the IDP and stands as a challenge to the BCDA to fulfil its mandate of development.

This all inclusive document strives to identify the different developmental sectors for the area, as well as the potentially viable projects for each of the three developmental sectors e.g. Tourism, Business and Agriculture. Key development projects were identified, and prioritised according to impact on expansion of the local economy, as well as job creation.

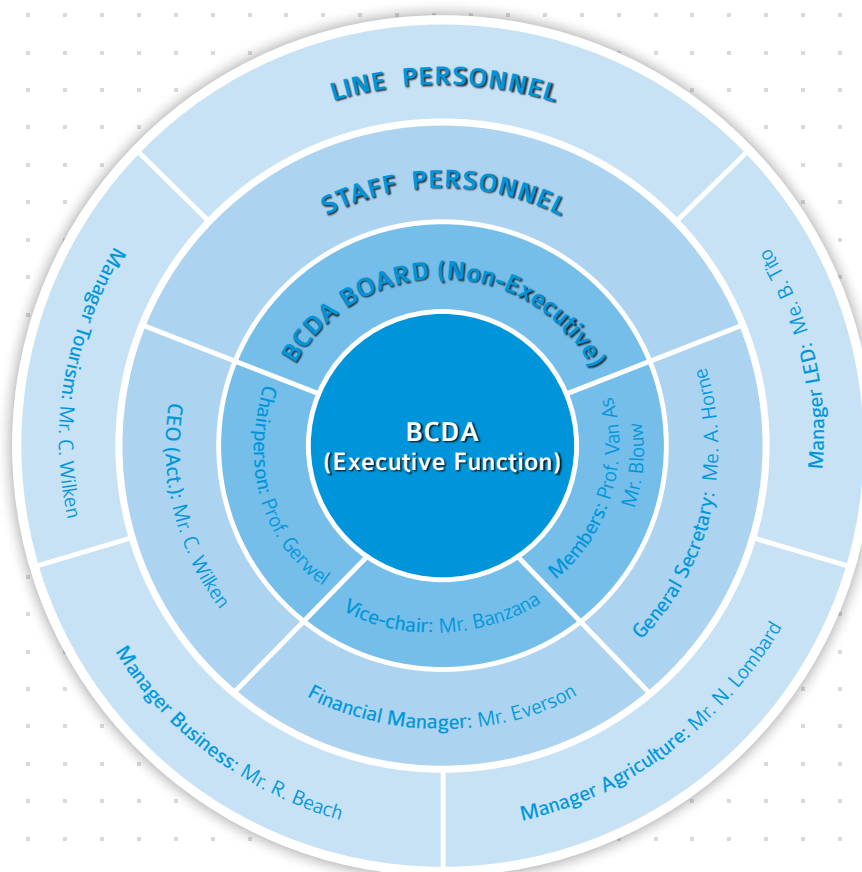
These projects are all registered in the municipalities Integrated Development Plan and are also a priority for the Municipality. The private sector in the towns likewise supports the development agency and all the current projects.

MANAGEMENT

The 2010/11 year was characterised by the final planning phase of the majority of the larger projects. The important Record of Decisions from the Department of Environmental Affairs was finally received to allow other institutional arrangements and authorisations to be completed. The past year's activities paved the way for 2010/11 to be what should be a year of project implementation.

Management changed when the CEO, Mr. Zola Tesana resigned in January 2010. The board decided not to appoint another CEO but appointed one of the managers (Mr. Wilken) as acting CEO.

ORGANOGRAM



39

The BCDA overall view of the past year is that positive progress was made regarding administrative and financial compliancy as well as with the project development. The aggressive marketing campaign undertaken by the BCDA ensured that the BCDA is now being acknowledged as a key rural development player by both the private and public sectors.

ADMINISTRATION

Performance System:

The Performance Management Systems as required by municipal legislation was implemented by the Board during the past Financial Year. Regular assessments, as per the legislative requirements, were held.

General:

Monthly reports have been drafted and submitted to all the role players. Petty cash is requested as needed and the entries are done regularly and it is balanced every month.

A new filing system was developed. Filing is updated regularly. Meetings are held regularly and minutes are recorded.

The advertisement for the registration of Service Providers on the BCDA's database was completed in April through the advertising in The Herald and the Somerset East Budget. Service Providers that have registered have been entered into the Service Provider Data Base.

Training:

The BCDA arranged and attended the Basic Business Principle Courses that was sponsored by the IDC and facilitated by Mr. Jabu Matiko of Business Today. The participants of the courses received certificates for attending the course.

Attended a LED DST training arranged by Tina Sinako and Cacadu that was facilitated by Mr. Alistair Fray. The training was held in two phases. The first phase was held in Port Alfred from the 2nd of November till the 4th of November. The Second phase was held in Graaff-Reinet from the 29th of November till 30th November. Also attended a workshop on the 1st of December in Graaff-Reinet, arranged by Cacadu and the DBSA on a Regional Economic Model for the Cacadu District that was presented by Mr. Boetie Toerien.

Finance:

The primary concern regarding finance is still the outstanding VAT issue. After deliberations with IDC it became clear that although IDC did appoint Deloitte to resolve the VAT issue of all development agencies nothing has been done. The Acting CEO had a discussion with the Board chairperson and it was decided that this issue is of such importance to the BCDA as a growing concern that funding allocated from interest received from BCDA investment would be channelled to appoint Deloitte to resolve this matter for the BCDA. Deloitte determined that the legislation is quite clear on this matter and that BCDA should be exempt from VAT.

The BCDA has taken all reasonable measures to resolve this matter and the onus rests on SARS to reach a finding.

THE PROJECT SECTORS

A) Tourism

A.1) Boschberg "Mountain of Dreams"

This is the key Tourism development project. The development concept was based on the fact that the selling of the residential erven as freehold properties would earn enough revenue to develop and maintain the remainder of the nodes within the development. The unfortunate market down turn experienced for residential properties seriously impacted on this development concept.



This forced the BCDA to re-strategise and a plan was adopted to make provision for the prevailing economic climate. Complete all planning issues and outstanding authorisations in 2009/10 to allow for implementation in 2010/11 with the initial development emphasis on the development of the reserve and activities. The BCDA believes that once the activities are established, the residential market will have recovered to allow for adequate sales of erven to develop the remainder of the project. The use of grants and concessions to develop the activities will mitigate the risk of a large loan that cannot be serviced by selling of residential erven.

A.2) Tourism Hub

With the above approach in mind the BCDA has decided to separate the Tourism Hub development from that of the rest of Boschberg. Several government institutions were approached for possible grant funding. Cacadu District Municipality agreed to fund the initial development of the hub in the amount of R2 million. A DTI grant funding application of R12 million for development of services at the hub is currently in the process of adjudication.

A further action was the institution of a tender process for the development of the following concessions:

Retirement Node, Hotel & Wellness Centre, Restaurant, Equestrian Centre & Wedding venue. All these concessions were awarded and should commence with implementation in 2011.

A.3) Pearston Unique Experience

This project was initiated by the BCDA and a marketing study was completed that indicated that the project could be feasible. The BCDA was approached by the Wilderness Foundation and an international funder who invested heavily in the purchasing of land for the project. The current actions include the fencing and stocking of the farms. BCDA is still uncertain to the final outcome of the project as little interaction with the investor has occurred in the past year.

B) Business

B.1) Airport Construction

The BCDA has endeavoured to engage CACADU and the Provincial Government to secure the funding to complete the main tarred runway. Minister of Rural Affairs Minister Nkwinti has publically stated that the Government intends to tar the runway.

The BCDA has to date not received formal notification of Government's Intention. The BCRM has also requested Government to expedite this matter. Tarring of this runway is critical to the overall aerospace plans the BCDA has for the new Somerset East Airport.

B.2) Development of the Light Industrial Park

The Record of Decision for this project was received in May 2010. The BCDA called for expressions of interest and the resultant response was very favourable; confirming the demand for these erven. The first twenty erven have been surveyed. The BCDA is currently exploring funding options for the bulk services. The BCRM has agreed in principle to assist with the installation of the bulk services.

Investor Investment Plan

The BCDA appointed a service provider to formulate an Investment Incentive Policy that will be utilised by the BCDA to encourage new investment in the Industrial Park.

B.3) Albasera Aircraft

The relocation of this business due to be completed this year was postponed due to the impaired health of the wife of the Proprietor, Mr. Fincati. Relocation is due to commence in 2011.

B.4) Flying School

The BCDA engaged with Sheltham Aviation, but no favourable outcome was achieved. The BCDA is currently in negotiation with the Elmer Group in this regard. The incompleting tarred runway is proving to be a major stumbling block in securing investor commitment in this regard.

B.5) SkyWake



The mock-up of SkyWake was manufactured by the Wits Aeronautical Engineering design team. It was displayed in Somerset East, the Africa Aerospace and Defence show at Ysterplaat and, in November, at the IDC head office in Sandown.

A meeting was held with the Department of Trade and Industries to discuss the funding for the manufacturing of the prototype and subsequent commercialisation. The ECDC has also agreed in principle to making a contribution towards the budget for this project.

Providing the funding is secured, manufacturing of the prototype will commence in the first quarter of next year and commercial production will begin in 2012.

C) Agriculture

C.1) Misty Mountains

The BCRM is in the process of restarting the project. Three investors responded to a call for proposals. The idea is to form a partnership between the Department of Correctional Services; Department of Agriculture; the Blue Crane Route Municipality and Blue Crane Development Agency and the investors. Fruit, vegetables and flowers will be produced for local and Port Elizabeth markets. People will be trained to become entrepreneurs and to farm with the view to establish their own venture.

C.2) Deciduous Fruit

A pilot and experimental project was launched on two hectares. It is clear that apricots, plums and

peaches do very well in our area and farmers are encouraged to plant deciduous fruit. Many opportunities are available to add value to produce.

C.3) Pomegranates

A pilot was done on four hectares with exceptional results. Commercial farmers have established 64 hectares in the Blue Crane Route Municipality area. The Blue Crane Development Agency is also involved in projects in the Baviaanskloof near Willomore, Bloemfontein, Norvalspont, Grahamstown, Steytlerville and Cradock.



C.4) Prickly Pears

A business plan and feasibility study was conducted and a pilot project has been established on five farms in the Blue Crane Route Municipality area. Investors are interested to establish a feed factory with dry prickly pear leaves as a basis for the animal feed.

D) Renewable Energy

D.1) Hydro- electricity

The Blue Crane Route Municipality area has huge potential to generate Hydro- electricity. A service provider has been appointed to do a study on 19 sites to the viability of generating hydro- electricity. The study will be available by the end of January 2011.

D.2) Solar Energy

The international companies are interested to explore options to establish solar farms near Pearston. From initial studies it appears that Pearston has very good quality sunlight.

D.3) Wind Energy

A study was conducted by the University of Stellenbosch on renewable energy, which is available. From this study it is clear that the area has a very good quality wind.

Seven possible sites have been identified to establish wind farms. One proposal for a wind farm has received the necessary authorization and only a PPA is awaited for implementation.

D.4) Training Facility for Renewable Energy

A service provider has been appointed to do a business plan on a research and development wind farm.

E) General Projects

Urban Design Plan for Somerset East

Matrix Architects were appointed by CACADU to provide an urban design proposal for Somerset East. This project is now completed and funding needs to be secured for implementation. CACADU may fund this project in the future.

Centre of Academic Excellence

The BCDA, in Partnership with a number of universities, the Department of Education and Gill College is facilitating a Centre for Academic Excellence in Somerset East. The CEO comprises of the following components:

National Aerospace Centre of Excellence

The BCDA has recently been honoured by being appointed by the NACOE to present their programs and opportunities within the Eastern Cape. It is the intention of the BCDA to utilize this initiative to further the aims and objectives of NACOE within the Eastern Cape in collaboration with our partners in this project.

WITS UNIVERSITY

The BCDA appointed the Aeronautical Faculty of Wits University to design the first world-class production built Light Sport Aircraft in South Africa. The design of this aircraft, named SkyWake, has

been completed and a mock-up of the aircraft was recently launched and displayed at the AADS 2010 at Ysterplaat. The BCDA, Wits and the IDC are currently exploring options for the prototyping process and commercial production of SkyWake in Somerset East.

Gill College Engineering Club

The BCDA, in association with Gill College and the Aeronautical Faculty of Wits University, founded the Gill College Engineering Club (GCEC) in 2007. The Club promotes all engineering disciplines, meets regularly, competes in national related competitions, and pursues excursions to places of relevance etc. The GCEC held its inaugural symposium in June 2010. The Universities of Wits, Stellenbosch, NMMU and Rhodes presented programs and a number of schools throughout the Eastern Cape attended. The GCEC publishes a monthly topical newsletter, under the auspices of, and edited by, the Wits Aeronautical Faculty.

NMMU (Maths, Science and Engineering Incubator)

The BCDA requested NMMU to establish a regional maths, science and engineering incubator. This

program is designed to identify above average regional maths, science and engineering pupils and mentor them with the aid of a curriculum based DVD programs. A program to up skill regional maths teachers will be done in 2011. The NMMU would like to establish an engineering relationship with the Engineering Club through the BCDA.

UNIVERSITY OF THE FREE STATE (STEM Laboratory)

The BCDA has requested the University of the Free State to establish a regional science, Technology, Engineering and Maths laboratory. This university standard, state-of-the-art computer based, electronic facility will enable participants to conduct experiments and gain practical lab based experience.

UNIVERSITY OF CAPE TOWN

The BCDA has requested Mr. Roelf Mulder of the University Of Cape Town to establish a regional industrial design technology centre.

SASFIN

The Port Elizabeth branch of Sasfin has agreed to implement finance/ investment orientated program to commence in January 2010.

3.2 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED

Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
Percentage of LED Budget spent on LED related activities.	No specific LED Budget (salary for)	Not in real terms	Not in real terms
Number of LED stakeholder forum held	5	4/5	Need to engage more and support
Percentage of SMME that have benefited from a SMME support program	No specific SMME support	Reactive N/A	Reactive N/A
Number of job opportunities created through EPWP			
Number of job opportunities created through PPP	No PPP	N/A	N/A

3.3 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

- Budget/ Funding.
- Niche market and readiness to take risks.
- Training and Development (skills), and
- Mobilisation of SMMEs.
- Banking sector support.
- Access to support/ programs within government.

CHAPTER 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

4.1 THE AUDITED FINANCIAL STATEMENTS

INDEX

Accounting Officer's Responsibilities and Approval	.00
Statement of Financial Position	.00
Statement of Financial Performance	00 - 00
Statement of Changes in Net Assets	00 - 00
Statement of cash flows	.00
Accounting Policies	.00
Notes to the Consolidated Annual Financial Statements	.00
Appendixes:	
Appendix A: Schedule of External loans	.00
Appendix B: Analysis of Property, Plant and Equipment	.00
Appendix C: Segmental analysis of Property, Plant and Equipment	.00
Appendix D: Segmental Statement of Financial Performance	.00
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	.00
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	.00
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	.00



Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 4 to 69, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



MAYOR
Ms. M. Scott

General Information for the year ended 30 June 2010

Members of the Council

MAYOR

NM. Scott

COUNCILLORS

JF Froelich
KC Brown
K Olivier
M Nontyi
NR Sibaca
L Simmons
VS Jonas
NP Yantolo
BA Manxoweni

GRADING OF LOCAL AUTHORITY

Grade 2

ACCOUNTING OFFICER

MA Mene

CHIEF FINANCE OFFICER (CFO)

DR Sauls

REGISTERED OFFICE

67 Nojoli Street
Somerset East
5850

POSTAL ADDRESS

P.O. Box 21
Somerset East
5850

BANKERS

ABSA Bank

AUDITORS

Auditor General

Statement of Financial Position for the year ended 30 June 2010

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
ASSETS					
Current Assets					
Inventories	4	994,664	909,909	994,664	909,909
Other financial assets	5	82,099	54,485	82,099	54,485
Trade and other receivables from exchange transactions	6	571,272	8,577	552,024	7,239
Other receivables from non-exchange transactions	7	1,647,450	1,715,373	1,647,450	1,715,373
VAT receivable	8	995,811	1,089,736	995,811	1,089,736
Consumer debtors	9	7,306,331	5,808,260	7,306,331	5,808,260
Cash and cash equivalents	10	21,589,687	11,532,192	20,112,087	10,787,541
		33,187,314	21,118,532	31,690,466	20,372,543
Non-Current Assets					
Investment property	11	-	-	-	-
Property, plant and equipment	12	30,781,611	15,149,278	30,672,552	15,060,568
Intangible assets	13	4,536	1	4,536	1
Other financial assets	5	121,408	243,965	121,408	243,965
		30,907,555	15,393,244	30,798,496	15,304,534
Non-Current Assets		30,907,555	15,393,244	30,798,496	15,304,534
Current Assets		33,187,314	21,118,532	31,690,466	20,372,543
Non-current assets held for sale (and assets of disposal groups)		-	-	-	-
Total Assets		64,094,869	36,511,776	62,488,962	35,677,077
LIABILITIES					
Current Liabilities					
Finance lease obligation	15	555,616	319,924	555,616	319,924
Trade and other payables	16	9,615,859	7,553,707	8,988,558	7,224,361
VAT payable	52	1,687,675	1,299,441	-	-
Consumer deposits	17	1,349,551	1,105,422	1,349,551	1,105,422
Retirement benefit obligation	18	353,503	342,546	353,503	342,546
Unspent conditional grants and receipts	19	7,532,893	7,059,892	7,532,893	7,058,393
Provisions	20	1,003,719	263,972	1,003,719	263,972
		22,098,816	17,944,904	19,783,840	16,314,618
Non-Current Liabilities					
Finance lease obligation	15	1,794,331	2,629,666	1,794,331	2,629,666
Retirement benefit obligation	18	14,290,519	12,779,301	14,290,519	12,779,301
		16,084,850	15,408,967	16,084,850	15,408,967
Non-Current Liabilities		16,084,850	15,408,967	16,084,850	15,408,967
Current Liabilities		22,098,816	17,944,904	19,783,840	16,314,618
Liabilities of disposal groups		-	-	-	-
Total Liabilities		38,183,666	33,353,871	35,868,690	31,723,585

Statement of Financial Position for the year ended 30 June 2010

- continued

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2010	2009	2010	2009
Assets		64,094,869	36,511,776	62,488,962	35,677,077
Liabilities		(38,183,666)	(33,353,871)	(35,868,690)	(31,723,585)
Net Assets		25,911,203	3,157,905	26,620,272	3,953,492
NET ASSETS					
Accumulated surplus		25,911,203	3,157,905	26,620,272	3,953,492

Statement of Financial Performance for the year ended 30 June 2010

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
REVENUE					
Property rates	21	5,531,510	4,803,504	5,531,510	4,803,504
Service charges	22	56,751,398	45,743,761	56,751,398	45,743,761
Rental of facilities and equipment		58,882	82,585	58,882	82,585
Interest received (trading)		1,705,984	2,021,901	1,705,984	2,021,901
Income from agency services		575,285	349,028	575,285	349,028
Fines		59,588	83,533	59,588	83,533
Licences and permits		1,206,432	859,050	1,206,432	859,050
Government grants & subsidies	23	50,059,982	46,482,198	45,235,421	42,125,356
Interest received - short-term deposits	24	1,091,759	1,169,165	1,015,031	1,046,944
Miscellaneous other revenue	25	-	8,553	-	8,553
Administration and management fees received	25	9,683	232	9,683	232
Fees earned	25	240,579	194,980	240,579	194,980
General	25	1,392,719	1,589,707	1,266,508	1,516,704
Private work	25	4,411,201	518,846	4,411,201	518,846
Other income	25	1,625,943	3,012,724	1,625,943	3,012,724
Total Revenue					

Statement of Financial Performance for the year ended 30 June 2010

- continued

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
EXPENDITURE					
Personnel	27	(40,663,542)	(35,724,016)	(38,431,140)	(32,900,191)
Remuneration of councillors	28	(2,354,221)	(1,805,594)	(2,354,221)	(1,805,594)
Finance costs	29	(1,328,044)	(368,925)	(1,328,044)	(368,506)
Debt impairment	30	(6,275,812)	(6,045,384)	(6,275,812)	(6,045,384)
Collection costs		(2,542)	(32,611)	(2,542)	(32,611)
Repairs and maintenance		(4,014,497)	(2,266,187)	(4,012,044)	(2,256,674)
Bulk purchases	31	(27,618,983)	(20,905,120)	(27,618,983)	(20,905,120)
General Expenses	32	(17,724,773)	(12,846,366)	(15,016,670)	(11,358,915)
Conditional grant expenditure	32	(2,479,571)	(9,669,168)	(2,479,571)	(9,669,168)
Total Expenditure		(102,461,985)	(89,663,371)	(97,519,027)	(85,342,163)
Gain on disposal of assets and liabilities		492,362	-	492,362	-
Revenue		124,720,945	106,919,767	119,693,445	102,367,701
Expenditure		(102,461,985)	(89,663,371)	(97,519,027)	(85,342,163)
Other		492,362	-	492,362	-
Surplus for the year		22,751,322	17,256,396	22,666,780	17,025,538



Statement of Financial Position for the year ended 30 June 2010

Figures in Rand	Accumulated surplus	Total net assets
ECONOMIC ENTITY		
Opening balance as previously reported	(5,551,006)	(5,551,006)
Adjustments		
Change in accounting policy	4,574,362	4,574,362
Balance at 01 July 2009 as restated	(976,644)	(976,644)
Changes in net assets		
Surplus for the year	17,256,396	17,256,396
Post-retirement medical aid liability take-on	(13,121,847)	(13,121,847)
Total changes	4,134,549	4,134,549
Balance at 01 July 2009	3,157,907	3,157,907
Changes in net assets		
Surplus for the year	22,751,322	22,751,322
Adjustment of an incorrect PPE account	1,974	1,974
Total changes	22,753,296	22,753,296
Balance at 30 June 2010	25,911,203	25,911,203
Note(s)		
CONTROLLING ENTITY		
Opening balance as previously reported	(4,572,827)	(4,572,827)
Adjustments		
Change in accounting policy	4,622,628	4,622,628
Balance at 01 July 2009 as restated	49,801	49,801
Changes in net assets		
Post-retirement medical aid liability take-on	(13,121,847)	(13,121,847)
Net income (losses) recognised directly in net assets	(13,121,847)	(13,121,847)
Surplus for the year	17,025,538	17,025,538
Total recognised income and expenses for the year	3,903,691	3,903,691
Total changes	3,903,691	3,903,691
Balance at 01 July 2009	3,953,492	3,953,492
Changes in net assets		
Surplus for the year	22,666,780	22,666,780
Total changes	22,666,780	22,666,780
Balance at 30 June 2010	26,620,272	26,620,272
Note(s)	2,18	

Statement of cash flows for the year ended 30 June 2010

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
Cash flows from operating activities					
Current Assets					
Grants		50,059,982	46,482,199	45,235,421	42,125,356
Interest income		1,091,759	1,169,165	1,015,031	1,046,944
Other receipts		77,302,389	57,062,586	86,443,719	71,193,612
		128,454,130	104,713,950	132,694,171	114,365,912
Payments					
Employee costs		(43,017,763)	(37,529,611)	(40,785,360)	(34,705,785)
Finance costs		(871,139)	(419)	(871,139)	(283,922)
Other payments		(58,116,180)	(51,764,838)	(65,339,950)	(64,719,188)
		(102,005,082)	(89,294,868)	(106,996,449)	(99,708,895)
Total receipts		128,454,130	104,713,950	132,694,171	114,365,912
Total payments		(102,005,082)	(89,294,868)	(106,996,449)	(99,708,895)
Net cash flows from operating activities	33	26,449,048	15,419,082	25,697,722	14,657,017
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(15,917,774)	(12,107,413)	(15,899,394)	(12,018,634)
Proceeds from sale of property, plant and equipment	12	492,362	-	492,362	-
Purchase of other intangible assets	13	(4,536)	-	(4,536)	-
Net movement in financial assets		94,943	(20,831)	94,943	(20,831)
Net movement in financial assets		94,943	(20,831)	-	-
Difference on additions to PPE		-	(1,919)	-	-
Net cash flows from investing activities		(15,335,005)	(12,130,163)	(15,316,625)	(12,039,465)
Cash flows from financing activities					
Finance lease payments		(1,056,548)	(775,309)	(1,056,548)	(775,309)
Movement in loans to employees		-	24,688	-	-
Net cash flows from financing activities		(1,056,548)	(750,621)	(1,056,548)	(775,309)
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		11,532,192	8,993,894	10,787,541	8,945,298
Cash and cash equivalents at the end of the year	10	21,589,687	11,532,192	20,112,090	10,787,541

Accounting Policies for the year ended 30 June 2010

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements.

Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The economic entity assesses its loans and receivables for impairment at the end of each

reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows

used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related

pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Provision to the doubtful debts allowance accounts are calculated based on the average payment percentage as calculated per ward determining the risk in days averaged to 30, 60, 90, 120 days and higher. Provision is then determined per ward based on the ward's risk portfolio.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, **rather than** for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow

to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement, investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or

deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

- property that is held under an operating lease may be classified and accounted for as investment property if, the property would otherwise meet the definition of an investment property; and
- the municipality uses the fair value model.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

- property intended for sale in the ordinary course of operations or in the process of construction or development for such sale are classified as inventory;
- owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property are classified as property, plant and equipment;
- property that is being constructed or developed for future use as investment property. The Standard of GRAP on Property, Plant and Equipment applies to such property until construction or development is complete, at which time the property becomes investment property.
- property held to provide a social service and which also generates cash inflows are classified as property, plant and equipment.

Transitional provision

The economic entity changed its accounting policy

for investment property in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the economic entity is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note 11. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the economic entity need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset, or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment, and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling

and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount

restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the economic entity holds for

rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The economic entity changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the economic entity is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 12. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the economic entity need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated

presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is

credited to other comprehensive income and accumulated in the revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit

- an increase in the liability is recognised in surplus or deficit, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and

- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Transitional provision

The economic entity changed its accounting policy for intangible assets in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the economic entity is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 13. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the

requirements of the Standard of GRAP on Intangible assets, the economic entity need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.6 Investments in controlled entities **Controlling entity consolidated annual financial statements**

In the municipality's separate consolidated annual financial statements, investments in investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Financial instruments

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the economic entity becomes a party to the contractual provisions of the instruments.

The economic entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are

subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the economic entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the economic entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the economic entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Amortised cost is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are

initially and subsequently recorded at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at cost, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the economic entity's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

DERECOGNITION

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the economic entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party, under a 'pass-through' arrangement; or
- the economic entity has transferred its rights to receive cash flows from the asset and either

- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the economic entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the economic entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the economic entity could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the economic entity's continuing involvement is the amount of the transferred asset that the economic entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the economic entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The economic entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

The economic entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. Any contingent rents are expensed in the period in which they are incurred.

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a increase of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rents are expensed in the period they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

Transitional provision

The economic entity changed its accounting policy for inventories in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the economic entity is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories.

Inventories has accordingly been recognised at provisional amounts, as disclosed in note 4. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the economic entity need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher, its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Criteria developed by the economic entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

- When an asset on its own or together with other assets generates a cash flow this asset will be classified as cash generating
- When it cannot be determined if an asset generates a cash flow or together with other assets contribute towards a cash flow this asset will not be classified as cash-generating.

1.12 Share capital / contributions from owners

An equity instrument is any contract that evidences

a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Other post retirement obligations

The economic entity provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover these liabilities.

1.14 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;

- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation.

The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, **is accounted for as follows:**

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount, and account for any impairment loss, in accordance with the amounting policy on impairment of assets as described in accounting policy 1.11.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets

to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Transitional provision

The economic entity changed its accounting policy for provisions, contingent liabilities and contingent assets in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, **the economic entity need not comply with the Standards of GRAP on:**

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. **The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:**

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents, are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed, or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The economic entity has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender.

Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of

the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost.

of that asset until such time as the asset is ready for its intended use. **The amount of borrowing costs eligible for capitalisation is determined as follows:**

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the economic entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the economic entity completes the construction of a qualifying asset in parts and each

part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Use of estimates

The preparation of consolidated annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are disclosed in the relevant sections of the consolidated annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Presentation of currency

These consolidated annual financial statements are presented in South African Rand.

1.26 Offsetting

Assets, liabilities, revenue and expenses have not

been offset except when offsetting is required or permitted by a Standard of GRAP.

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.29 Going Concern

The financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.30 Current and non current.

Current assets and liabilities are to be realised in not more than twelve months from reporting date.

All assets and liabilities that will not realise in twelve months or less from reporting date are disclosed as non-current assets or liabilities.

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2010

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009

1. Changes in accounting policy

The consolidated annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 Intangible Assets
- Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to Standards of GRAP
- Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
- Directive 5 Determining the GRAP Reporting Framework
- Directive 7 The Application of Deemed Cost on the adoption of Standards of GRAP
- IPSAS 20 Related Party Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement

The aggregate effect of the changes in accounting policy on the consolidated annual financial statements for the year ended 30 June 2009 due to the implementation of GRAP is as follows:

Statement of financial position

Statutory funds - Revolving fund

Previously stated	-	-	-	6,949,646
Adjustment - Transferred to Accumulated	-	-	-	(6,949,646)
Surplus / (Deficit) - (see below)	-	-	-	-

Reserves - Game Reserve

Previously stated	-	-	-	12,000
Adjustment - Transferred to Accumulated	-	-	-	(12,000)
Surplus / (Deficit) - (see below)	-	-	-	-

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2010 - (continued)

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
1. Changes in accounting policy (continued)				
Loans redeemed and other capital receipts				
Previously stated:-				
Loans redeemed and advances repaid	-	-	-	135,027
Contributions from operating income	-	-	-	2,965,010
Grants and subsidies	-	-	-	158,386,046
Public contributions	-	-	-	115,400
Adjustments:-	-	-	-	-
Transferred to Statement of Financial Performance	-	-	-	(10,379,667)
Transferred to Accumulated Surplus / (Deficit) - (see below)	-	-	-	(151,221,816)
	-	-	-	-
Provisions				
Previously stated:-	-	-	-	-
Leave Pay Provision	-	-	-	2,575,431
Audit fee Provision	-	-	-	1,350,000
Adjustments:-	-	-	-	-
Transferred to Staff Leave Accrual	-	-	-	(2,575,431)
Transferred to Statement of Financial Performance	-	-	-	(1,350,000)
	-	-	-	-
Trust funds				
Previously stated:-	-	-	-	7,207,924
Adjustments	-	-	-	-
Transferred to Unspent Conditional Grants / Deferred Income	-	-	-	(7,058,393)
Transferred to Trade and Other Payables	-	-	-	(33,444)
Adjusted to Statement of Financial Performance (Interest received)	-	-	-	(116,087)
	-	-	-	-
Transferred to Unspent Conditional Grants / Deferred Income				
Balance 1 July 2008	-	-	-	8,899,327
Received 2009	-	-	-	17,645,414
Transfer to revenue - operating expenses	-	-	-	(9,669,168)
Transfer to revenue - audit fees	-	-	-	(595,772)
Transfer to revenue - capital	-	-	-	(9,221,408)
	-	-	-	7,058,393
Insurance claims paid but not yet utilised				
Previously stated	-	-	-	511,076
Transferred to Statement of Financial Performance (Insurance claims received)	-	-	-	(511,076)
	-	-	-	-

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
1. Changes in accounting policy (continued)				
Finance lease obligation				
Previously stated	-	-	-	-
Adjustment to Accumulated Surplus / (Deficit)	-	-	-	670,226
	-	-	-	670,226
Housing Development Fund				
Previously stated	-	-	-	(514,054)
Adjustment to Accumulated Surplus / (Deficit)	-	-	-	514,054
	-	-	-	-
Accumulated Surplus / (Deficit)				
Implementation of GRAP:-	-	-	-	-
Transferred from Game Reserve (Reserves no longer permitted)	-	-	-	(12,000)
Transferred from statutory funds	-	-	-	(6,949,646)
Transferred from loans redeemed and other capital receipts	-	-	-	(151,221,816)
Housing Development Fund - (previously treated as an accrual - not cash backed)	-	-	-	(514,054)
Operating surplus prior year adjustment	-	-	-	4,478,906
Adjustment of PPE opening balances	-	-	-	153,372,603
Adjustment of Intangible asset balance	-	-	-	230,524
Adjustment lease liability	-	-	-	(3,958,879)
	-	-	-	(4,574,362)

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted all new GAAP and GRAP standards and interpretations that are relevant to its operations and that became effective for the current financial year. The adopted standards and interpretations have not resulted in significant changes to the municipality's accounting policies or financial performance.

IFRS 7 (AC 144) Financial Instruments: Disclosures

IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the economic entity's financial instruments.

The effective date of the standard is for years beginning on or after 01 January 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2010 - (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The economic entity has adopted the amendment for the first time in the 2010 consolidated annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The economic entity has adopted the amendment for the first time in the 2010 consolidated annual financial statements.

The impact of the amendment is not material.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directive also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements. The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directive also need to be considered: Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The impact of the standard is not material.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for

the first time in the 2010 consolidated annual financial statements.

The impact of the standard is not material.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP 13.

The following Directives also need to be considered: Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the consolidated annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the consolidated annual financial statements have received approval from

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2010 - (continued)

management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its consolidated annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its consolidated annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directive also need to be considered: Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition. The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

79

3. New standards and interpretations (continued)

equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directive also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state "gains shall not be classified as revenue" as GRAP term "income" has a broader meaning than the term "revenue".

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The economic entity has adopted the standard for the first time in the 2010 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual financial statements.

3.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2010 or later periods:

3.3 Standards and interpretations not yet effective or relevant

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

81

3. New standards and interpretations (continued)

The following standards and interpretations have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2010 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

3. New standards and interpretations (continued)

and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and consolidated annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary consolidated annual financial statements. Where the budget and consolidated annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the consolidated annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and consolidated annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the economic entity; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

83

3. New standards and interpretations (continued)

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

3. New standards and interpretations (continued)

entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an economic entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an economic entity applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an economic entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

85

3. New standards and interpretations (continued)

an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an economic entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an economic entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an economic entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an economic entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the economic entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an economic entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

3. New standards and interpretations (continued)

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this standard is currently being assessed.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one economic entity and a financial liability or residual interest in another economic entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an economic entity to a portion of another economic entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an economic entity considers the substance of the contract and not just the legal form.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

87

3. New standards and interpretations (continued)

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an economic entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another economic entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An economic entity measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An economic entity is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an economic entity can however designate such an instrument to be measured at fair value.

An economic entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an economic entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an economic entity has transferred control of the asset to another economic entity.

An economic entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an economic entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

3. New standards and interpretations (continued)

An economic entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an economic entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an economic entity is exposed to as a result of its consolidated annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An economic entity is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this amendment is currently being assessed.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

89

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
4. Inventories				
Work in progress	378,950	-	378,950	-
Consumable stores	615,714	909,909	615,714	909,909
	994,664	909,909	994,664	909,909

Stores issued amounted to R1 394 713.

5. Other financial assets

Loans and receivables				
Long term loans	203,507	298,450	203,507	298,450
Loans are repayable in monthly instalments over periods of three to twenty years. Certain loans have a fixed interest rate of 5% and others are linked to prime interest rate.				
	203,507	298,450	203,507	298,450
Non-current assets				
Loans and receivables	121,408	243,965	121,408	243,965
Current assets				
Loans and receivables	82,099	54,485	82,099	54,485
Non-current assets	121,408	243,965	121,408	243,965
Current assets	82,099	54,485	82,099	54,485
	203,507	298,450	203,507	298,450

Included in the above amount for loans and receivables is an amount of R95 209, which relates to a vehicle which was purchased on behalf of the mayor via a finance lease agreement with ABSA. The mayor pays the monthly instalments of the finance lease agreement upfront every month. The amount is repayable over three and a half years and interest is levied at prime less 1%. The mayor will be the owner of the vehicle at the end of the lease in 2011.

Fair value of loans and receivables approximates the carrying amounts.

6. Trade and other receivables from exchange transactions

Trade debtors	15,132	-	-	-
Employee costs in advance	17,332	8,577	13,216	7,239
Deposits	979	-	979	-
Other receivables	537,829	-	537,829	-
	571,272	8,577	552,024	7,239

Other receivables is a financial asset which is classified as loans and receivables. No amortisation was applied.

Fair value is estimated at cost.

7. Other receivables from non-exchange transactions

Fines	(1,889,977)	(1,635,074)	-	-
Government grants and subsidies	89,928	-	89,928	-
Property rates	2,921,202	2,483,513	1,031,225	848,439
Other	526,297	866,934	526,297	866,934
	1,647,450	1,715,373	1,647,450	1,715,373

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
Property rates				
Property rates	2,921,202	2,483,513	2,921,202	2,483,513
Allowance for impairment: Property rates	(1,889,977)	(1,635,074)	(1,889,977)	(1,635,074)
	1,031,225	848,439	1,031,225	848,439
Property rates age analysis				
Current (0 -30 days)	331,445	326,573	331,445	326,573
60 days	56,178	57,244	56,178	57,244
90 days	34,867	77,328	34,867	77,328
120 days	31,886	39,105	31,886	39,105
Older than 120 days	2,467,028	1,983,263	2,467,028	1,983,263
	2,921,202	2,483,511	2,921,202	2,483,511
Debt impairment for property rates				
Impairment balance prior year	-	-	(1,635,074)	(977,134)
Contribution	-	-	(254,903)	(657,940)
	-	-	(1,889,977)	(1,635,074)

Other receivables from non-exchange transactions are financial assets classified as loans and receivables. No amortisation was applied. Fair value was estimated at cost.

8. VAT receivable

VAT	995,811	1,089,736	995,811	1,089,736
-----	---------	-----------	---------	-----------

Amounts payable and receivable for VAT have been set-off since the amounts are payable / receivable to / from the same entity (SARS).

VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

9. Consumer debtors

Gross balances				
Electricity	4,731,201	3,576,332	4,731,201	3,576,332
Water	6,498,057	5,511,288	6,498,057	5,511,288
Sewerage	4,566,488	4,232,828	4,566,488	4,232,828
Refuse	5,206,930	4,244,520	5,206,930	4,244,520
Other (specify)	1,166,101	1,101,224	1,166,101	1,101,224
	22,168,775	18,666,190	22,168,775	18,666,190
Less: Provision for debt impairment				
Electricity	(1,287,512)	(1,113,864)	(1,287,512)	(1,113,864)
Water	(5,007,944)	(4,332,517)	(5,007,944)	(4,332,517)
Sewerage	(3,651,135)	(3,158,702)	(3,651,135)	(3,158,702)
Refuse	(4,169,450)	(3,607,113)	(4,169,450)	(3,607,113)
Other (specify)	(746,403)	(645,734)	(746,403)	(645,734)
	(14,862,444)	(12,857,930)	(14,862,444)	(12,857,930)
Net balance				
Electricity	3,443,689	2,462,468	3,443,689	2,462,468
Water	1,490,113	1,178,769	1,490,113	1,178,769
Sewerage	915,351	1,074,128	915,351	1,074,128
Refuse	1,037,480	637,407	1,037,480	637,407
Other	419,698	455,490	419,698	455,490

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
9. Consumer debtors (continued)	7,306,331	5,808,260	7,306,331	5,808,260
Electricity				
Current (0 -30 days)	2,683,288	2,095,528	2,683,288	2,095,528
60 days	426,623	400,629	426,623	400,629
90 days	295,219	216,439	295,219	216,439
120 days	172,475	104,568	172,475	104,568
Older than 120 days	1,153,598	759,170	1,153,598	759,170
	4,731,201	3,576,332	4,731,201	3,576,332
Water				
Current (0 -30 days)	702,574	794,798	702,574	794,798
60 days	297,552	249,559	297,552	249,559
90 days	256,248	238,449	256,248	238,449
120 days	235,318	187,831	235,318	187,831
Older than 120 days	5,006,365	4,040,649	5,006,365	4,040,649
	6,498,057	5,511,286	6,498,057	5,511,286
Sewerage				
Current (0 -30 days)	404,892	467,207	404,892	467,207
60 days	139,748	148,460	139,748	148,460
90 days	125,864	139,481	125,864	139,481
120 days	117,875	117,203	117,875	117,203
Older than 120 days	3,778,109	3,360,477	3,778,109	3,360,477
	4,566,486	4,232,828	4,566,486	4,232,828
Refuse				
Current (0 -30 days)	491,778	476,525	491,778	476,525
60 days	193,501	170,878	193,501	170,878
90 days	179,349	155,325	179,349	155,325
120 days	172,899	144,606	172,899	144,606
Older than 120 days	4,169,403	3,297,188	4,169,403	3,297,188
	5,206,930	4,244,520	5,206,930	4,244,520
Other				
120 days	-	5,198	-	5,198
Older than 120 days	1,166,101	1,096,026	1,166,101	1,096,026
	1,166,101	1,101,224	1,166,101	1,101,224
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	4,282,532	3,834,058	4,282,532	3,834,058
60 days	1,057,422	989,526	1,057,422	989,526
90 days	856,880	749,694	856,880	749,694
120 days	698,567	559,404	698,567	559,404
Older than 120 days	15,273,574	12,553,508	15,273,574	12,553,508
	22,168,775	18,686,190	22,168,775	18,686,190
Less: Provision for debt impairment	(14,862,444)	(12,857,930)	(14,862,444)	(12,857,930)
	7,306,331	5,808,260	7,306,331	5,808,260

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
9. Consumer debtors (continued)				
Reconciliation of debt impairment provision				
Balance at beginning of the year	(12,857,930)	(8,879,593)	(12,857,930)	(8,879,593)
Contributions to provision	(2,401,524)	(3,978,337)	(2,401,524)	(3,978,337)
Debt impairment written off against provision	397,010	-	397,010	-
	(14,862,444)	(12,857,930)	(14,862,444)	(12,857,930)

None of the financial assets that are fully performing have been renegotiated in the last year.

The reconciliation includes property rates provision for impairment.

Currently the financial system does not allow for separation of debtors by category.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,863	1,812	705	780
Bank balances	3,912,985	1,039,524	3,773,856	752,720
Short-term deposits	17,674,839	10,490,856	16,337,526	10,034,041
	21,589,687	11,532,192	20,112,087	10,787,541

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA Bank - Savings - 9062642914	-	-	881	-	-	881
ABSA Bank - Fixed deposit - 2053825035	7,500	7,500	7,500	7,500	7,500	7,500
ABSA Bank - Fixed deposit - 2055844786	19,210	17,648	15,997	19,210	17,648	15,997
ABSA Bank - Fixed deposit - 2064372621	285	278	261	285	278	261
ABSA Bank - Call account - 2069984156	10,237,092	-	-	10,237,092	-	-
ABSA Bank - Fixed deposit - 2084303510	12,174	11,730	10,836	12,173	11,730	10,836
ABSA Bank - Call account - 9067623800	2,758,094	4,581,931	4,131,098	2,758,094	4,581,931	4,131,098
ABSA Bank - Fixed deposit - 3064335048	22,033	21,183	19,590	22,033	21,183	19,590
ABSA Bank - Fixed deposit - 4064313202	13,113	12,451	11,649	13,113	12,451	11,649
ABSA Bank - Fixed deposit - 5024312404	29,009	27,912	25,734	29,009	27,912	25,734
ABSA Bank - Fixed deposit - 9064335011	12,729	12,212	11,288	12,729	12,212	11,288
ABSA Bank - Fixed deposit - 9073206933	28,651	27,596	25,482	28,651	27,596	25,482
ABSA Bank - Money market - 9186985404	-	4,834,793	1,582,092	-	4,834,793	4,834,793
ABSA Bank - Money market - 9186985878	-	21,742	51,803	-	21,742	51,803
ABSA Bank - Money market - 9191350545	-	-	2,259,389	-	-	2,259,389

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

93

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
10. Cash and cash equivalents (continued)				
ABSA Bank - Call account - 99216529968	48,913	388,233	-	48,913
Nedbank - Money market - 1263036023	6,574	6,574	6,844	6,574
Nedbank - Fixed deposit - 18312491	4,600	4,600	4,600	4,600
Nedbank - Money market - 1263034756	60,429	57,521	52,651	60,429
First National Bank - Money market - 74255023258	3,077,122	-	-	3,077,122
ABSA - Cheque account - 2200000008	637,053	1,622,710	377,515	525,227
ABSA - Cheque account - 4064779134	3,249,065	130,401	418,774	3,248,630
ABSA Bank - 409180033	-	-	6,591	-
ABSA Bank - 4053048314	-	-	2,910	-
ABSA Bank - 4055469366	-	-	215	-
ABSA Bank - 4051973385	-	-	243	-
ABSA Bank - 4061722786	-	-	-	118,943
ABSA Bank - 9186711247	-	-	-	20,106
ABSA Bank - Call account - 2068788862	-	-	-	1,337,313
Total	20,223,646	11,787,015	9,023,943	21,587,746
				11,726,244
				12,670,535

11. Investment property

Transitional provisions

The municipality elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provisions, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012.

12. Property, plant and equipment

Economic entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1	-	1	1	-	1
Buildings	2,133,220	-	2,133,220	1	-	1
Furniture and fixtures	-	-	-	-	1	1
Motor vehicles	2,201,809	-	2,201,809	2,201,809	-	2,201,809
Infrastructure	18,767,517	-	18,767,517	9,876,383	-	9,876,383
Capital work in progress	1,627,117	-	1,627,117	-	-	-
Other property, plant and equipment	6,051,947	-	6,051,947	3,071,082	1	3,071,083
Total	30,781,611	-	30,781,611	15,149,276	2	15,149,278

Controlling entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1	-	1	1	-	1
Buildings	2,133,220	-	2,133,220	1	-	1

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
12. Property, plant and equipment (continued)				
Motor vehicles	2,201,809	-	2,201,809	-
Infrastructure	18,767,517	-	18,767,517	-
Capital work in progress	1,627,117	-	1,627,117	-
Other property, plant and equipment	5,942,888	-	5,942,888	-
Total	30,672,552	-	30,672,552	-

Reconciliation of property, plant and equipment - Economic entity - 2010

	Opening balance	Difference	Additions	Transfers	Total
Land	1	-	-	-	1
Buildings	1	-	2,133,219	-	2,133,220
Motor vehicles	2,201,809	-	-	-	2,201,809
Infrastructure	9,876,383	-	9,178,544	(287,410)	18,767,517
Capital work in progress	-	-	1,627,117	-	1,627,117
Other property, plant and equipment	3,071,083	(1)	2,978,894	1,971	6,051,947
	15,149,277	(1)	15,917,774	(285,439)	30,781,611

Reconciliation of property, plant and equipment - Economic entity - 2009

	Opening balance	Difference	Additions	Total
Land	1	-	-	1
Buildings	1	-	-	1
Motor vehicles	-	-	2,201,809	2,201,809
Infrastructure	1	-	9,876,382	9,876,383
Other property, plant and equipment	1	1	3,071,081	3,071,083
	4	1	15,149,272	15,149,277

Reconciliation of property, plant and equipment - Controlling entity - 2010

	Opening balance	Additions	Transfers	Total
Land	1	-	-	1
Buildings	1	2,133,219	-	2,133,220
Motor vehicles	2,201,809	-	-	2,201,809
Infrastructure	9,876,383	9,178,544	(287,410)	18,767,517
Capital work in progress	-	1,627,117	-	1,627,117
Other property, plant and equipment	2,982,374	2,960,514	-	5,942,888
	15,060,568	15,899,394	(287,410)	30,672,552

Reconciliation of property, plant and equipment - Controlling entity - 2009

	Opening balance	Additions	Total
Land	1	-	1
Buildings	1	-	1
Motor vehicles	-	2,201,809	2,201,809
Infrastructure	1	9,876,382	9,876,383
Other property, plant and equipment	1	2,982,373	2,982,374
	4	15,060,564	15,060,568

(Gain)/Loss on sale of assets

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
12. Property, plant and equipment (continued)				
Proceeds of disposal	(492,362)	-	(492,362)	-
Pledged as security				
Carrying value of assets pledged as security:				
Motor vehicles	2,210,809	2,201,809	2,201,809	2,201,809
Office equipment	840,121	840,121	840,121	840,121
	3,050,930	3,041,930	3,041,930	3,041,930

These assets were acquired on a finance lease as per GRAP 13 on a basis that the assets do not become the property of the municipality at the end of the lease terms and continue to be the property of the lessors.

Capitalised expenditure(excluding borrowing costs)

Capital work in progress	1,627,117	-	1,627,117	-
Other property, plant and equipment	840,121	840,121	840,121	840,121
	2,467,238	840,121	2,467,238	840,121

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,201,809	2,201,809	2,201,809	2,201,809
Other property, plant and equipment	18,378	901,028	840,121	840,121
	2,220,187	3,102,837	3,041,930	3,041,930

Other information

A register containing the information required by section 83 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Transitional provisions

Property, plant and equipment recognised at provisional amounts

The municipality elected to adopt the transitional provisions for the implementation of GRAP. In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment have been recognised at R1 and additions of 2010 and 2009 were recognised at cost. The municipality is in the process of appointing service providers to determine the infrastructure componentisation and values. This exercise is expected to be finalised in 18 months.

Due to the adoption of the transitional provisions no depreciation was calculated.

13. Intangible assets

Economic entity	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Intangible assets 1	4,536	-	4,536	1	-	1
Controlling entity	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
13. Intangible assets (continued)				
Intangible assets	4,536	-	4,536	1

Reconciliation of intangible assets - Controlling entity - 2010

	Opening balance	Additions	Total
Intangible assets	1	4,535	4,536

Reconciliation of intangible assets - Controlling entity - 2009

	Opening balance	Total
Intangible assets	1	1

Transitional provisions

Intangible assets recognised at provisional amounts

The municipality elected to adopt the transitional provisions for the implementation of GRAP. In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, intangible assets with a carrying value of R 4,536 (2009: R 1) was recognised at cost to additions in 2009. The identification of intangible assets will be completed by 2011.

Due to the abovementioned transitional provisions, no amortisation has been calculated.

14. Investments in controlled entities

Name of company	Held by	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
Blue Crane Route Development Agency	Blue Crane Route Municipality	100.00 %	100.00 %	-	-

At the time of finalisation of the financial statements, the value of the municipality's investment in the Blue Crane Development Agency could not be determined due to the unavailability of financial statement information of the agency.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
15. Finance lease obligation				
Minimum lease payments due				
- within one year	1,452,772	1,032,481	1,425,772	1,032,481
- in second to fifth year inclusive	3,915,200	3,187,351	3,915,200	3,187,351
	5,367,972	4,219,832	5,340,972	4,219,832
less: future finance charges	(1,087,083)	(880,555)	(1,087,083)	(880,555)
Present value of minimum lease payments	4,280,889	3,359,277	4,253,889	3,359,277
Present value of minimum lease payments due				
- within one year	932,005	654,238	932,005	654,238
- in second to fifth year inclusive	3,305,412	2,688,566	3,305,412	2,688,566
	4,237,417	3,342,804	4,237,417	3,342,804
Non-current liabilities	1,794,331	2,629,666	1,794,331	2,629,666
Current liabilities	555,816	319,924	555,816	319,924
	2,349,947	2,949,590	2,349,947	2,949,590

The average lease term is 3 to 5 years and the average effective borrowing rate was between 8.50% and 23.45%.

Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent.

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

Included in the balance above is a finance lease with ABSA registered in the municipality's name on behalf of the Mayor. Refer to note 5.

All financial leases in existence before 1 July 2008 are treated as contingent payments.

There is no subleases.

16. Trade and other payables

Trade payables	6,197,124	4,275,952	5,751,465	4,274,568
Payments received in advance	354,321	404,005	318,739	367,164
Accrued leave pay	2,725,877	2,638,050	2,636,817	2,575,431
Other accrued expenses	264,798	-	264,798	-
Deposits received	16,739	7,200	16,739	7,200
Accrued audit fees	57,000	228,500	-	-
	9,615,859	7,553,707	8,988,558	7,224,361

Trade payables are classified in terms of financial instruments as financial liabilities at amortised cost.

The fair value of trade and other payables approximates their carrying amounts.

17. Consumer deposits

Water and electricity	1,349,551	1,105,422	1,349,551	1,105,422
-----------------------	-----------	-----------	-----------	-----------

18. Retirement benefits

Defined benefit plan

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
18. Retirement benefits (continued)				
The plan is a post employment medical benefit plan.				
Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(14,644,022)	(13,121,847)	(14,644,022)	(13,121,847)
Non-current liabilities	(14,290,519)	(12,779,301)	(14,290,519)	(12,779,301)
Current liabilities	(353,503)	(342,546)	(353,503)	(342,546)
	(14,644,022)	(13,121,847)	(14,644,022)	(13,121,847)

The amount of the liability is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation.

Movements for the year

Opening balance	(13,121,847)	-	(13,121,847)	-
Service and interest cost	(1,864,721)	-	(1,864,721)	-
Benefits paid	342,546	-	342,546	-
Transfer from Accumulated surplus	-	(13,121,847)	-	(13,121,847)
Net expense recognised in the statement of financial performance	1,522,175	-	-	-
	(13,121,847)	(13,121,847)	(14,644,022)	(13,121,847)

Net expense recognised in the statement of financial performance

Current service cost	993,896	-	993,896	-
Interest cost	870,825	-	870,825	-
Benefits paid	(342,546)	-	(342,546)	-
	1,522,175	-	1,522,175	-

There is no actuarial gain / loss since this is the first post-employment medical liability valuation performed.

Management is not in a position to provide best estimate as to expected contributions in 2011 as required by IAS 19.120

Key assumptions used

The following assumptions were used on the valuation on 30 June 2010.

Pre-retirement mortality:	Males: SA (85/90) Light and Females: SA (85/90) light with 3 year adjustment.
Post retirement mortality:	PA (90) M, PA (90) F.
HIV/AIDS:	Not allowed for.
Normal retirement age:	65 for males and 60 for females.
Age difference:	3 year age difference between males and females with females being 3 years younger.
Take up rate:	100% of active employees at retirement.
Discount rate:	Bond Exchange of South Africa ("BESA") yield curve.
Medical inflation:	1% p.a. lower than the discount rate.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

99

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

18. Retirement benefits (continued)

Real discount rate: 1% p.a.

Sensitivity Analysis - changes in medical inflation (+1% and -1%)			+1%	-1%
Accrued post retirement medical aid liability	-	-	12,395,704	17,554,705

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
MIG grant	1,823,670	4,343,564	1,823,670	4,342,065
Other grants	5,709,223	2,716,328	5,709,223	2,716,328
	7,532,893	7,059,892	7,532,893	7,058,393

These amounts are invested in a ring-fenced investment until utilised.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009

20. Provisions

Reconciliation of provisions - Economic entity - 2010

	Opening Balance	Additions	Total
Performance bonus	263,972	367,620	631,592
Shortfall pension fund	-	372,127	372,127
	263,972	739,747	1,003,719

Reconciliation of provisions - Economic entity - 2009

	Opening Balance	Additions	Total
Provision 1	-	263,972	263,972

Reconciliation of provisions - Controlling entity - 2010

	Opening Balance	Additions	Total
Performance bonus	263,972	367,620	631,592
Shortfall pension fund	-	372,127	372,127
	263,972	739,747	1,003,719

Reconciliation of provisions - Controlling entity - 2009

	Opening Balance	Additions	Total
Performance bonuses	-	263,972	263,972

The provision for environmental rehabilitation will be created when the the valuation on PPE is finalised in terms of Directive 4 as issued by the Accounting Standards Board.

Transitional provisions

Provisions recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, the environmental rehabilitation provision for landfill sites were not disclosed. Application for grant funding has been made and registered with MIG.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

101

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
21. Property rates				
Rates received				
All properties	5,531,510	4,803,504	5,531,510	4,803,504
Valuations				
Residential	11,299,418	3,687,303	11,299,418	3,687,303
Commercial	2,818,025	1,237,543	2,818,025	1,237,543
State	3,634,937	1,725,989	3,634,937	1,725,989
Agricultural	54,940,300	2,491,977	54,940,300	2,491,977
Less: Income forgone	(5,039,633)	(4,146,543)	(5,039,633)	(4,146,543)
	67,653,047	4,996,269	67,653,047	4,996,269

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2006. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.0007 for agricultural properties, 0.000846 for business properties, 0.00750 for residential properties, 0.01876 for government infrastructure properties and 0.01876 for government properties is applied to property valuations to determine assessment rates (2009: 0.01550 - agricultural properties, 0.01550 - business properties, 0.01650 - residential properties, 0.01550 - government properties and infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2009: R15 000 - residential properties and 30% government infrastructure).

Rates are levied on an annual basis with the final date for payment being 30 June 2010 (30 June 2009). Interest at prime plus 1% per annum (2009: prime plus 1% per annum), is levied on rates outstanding one month after due date.

The new general valuation will be implemented on 01 July 2011.

22. Service charges

Sale of electricity	43,827,751	32,881,287	43,827,751	32,881,287
Sale of water	5,972,904	6,114,758	5,972,904	6,114,758
Sewerage and sanitation charges	2,815,517	3,083,995	2,815,517	3,083,995
Refuse removal	3,871,459	3,362,084	3,871,459	3,362,084
Other service charges	263,767	321,637	263,767	321,637
	56,751,398	45,743,761	56,751,398	45,743,761

23. Government grants and subsidies

Equitable share	24,914,256	19,839,531	24,914,256	19,839,531
Government grant - PPE	10,428,511	9,418,937	10,428,511	9,418,937
Government grant - Operational	7,249,977	9,629,352	2,425,416	5,272,510
Provincial and district municipality grants	7,402,080	7,574,708	7,402,080	7,574,708
Own funding grants	65,158	19,670	65,158	19,670
	50,059,982	46,482,198	45,235,421	42,125,356

Conditions still to be met - remain liabilities (see note 19)

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
24. Investment revenue				
Interest revenue				
Unlisted financial assets	76,715	120,726	-	-
Other financial assets	1,479	1,586	1,479	1,586
Bank	1,013,565	1,046,853	1,013,552	1,045,358
	1,091,759	1,169,165	1,015,031	1,046,944
25. Other revenue				
Administration and management fees received - third party	9,683	232	9,683	232
Fees earned				
General	240,579	194,980	240,579	194,980
Private work	1,392,719	1,589,707	1,286,508	1,516,704
Other income	4,411,201	518,846	4,411,201	518,846
Miscellaneous other revenue	26	3,012,724	1,625,943	3,012,724
	-	8,553	-	8,553
	7,680,125	5,325,042	7,553,914	5,252,039
26. Other income				
Insurance claims	54,789	729,593	54,789	729,593
Donation	406,000	-	406,000	-
Biltong festive	791,594	514,257	791,594	514,257
Housing	373,560	95,755	373,560	95,755
Vat recovered DORA grants	-	1,673,119	-	1,673,119
	1,625,943	3,012,724	1,625,943	3,012,724

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

103

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
27. Employee related costs				
Basic	27,320,418	24,232,607	25,626,462	22,137,127
Bonus	2,346,224	2,027,708	2,346,224	2,027,708
Medical aid contributions	1,291,239	1,124,909	1,291,239	1,124,909
UIF	297,255	274,984	281,245	252,708
WCA	199,165	480,872	199,165	480,872
SDL	334,582	267,380	314,395	241,661
Leave pay	309,738	451,690	309,738	451,690
Post-employment benefits - Medical aid	651,350	-	651,350	-
Travel, motor car, accommodation, subsistence and other allowances	680,203	595,236	680,203	595,236
Overtime payments	990,912	984,501	990,912	984,501
13th Cheques	156,569	153,596	-	-
Car allowance	315,000	480,000	-	-
Other allowances	1,897,945	1,475,301	1,867,263	1,428,547
Bargaining council	13,312	12,023	13,312	12,023
Other contributions	4,444	4,719	4,444	4,719
Pension contributions	3,873,188	3,158,492	3,873,188	3,158,492
Relocation costs	3,000	-	3,000	-
	40,663,542	35,724,016	38,431,140	32,900,191

Remuneration of municipal manager

Annual Remuneration	532,023	471,051	532,023	471,051
Travel allowance	120,000	120,000	120,000	120,000
Performance Bonuses	103,875	60,431	103,875	60,431
Contributions to UIF, Medical and Pension Funds	88,352	80,409	88,352	80,409
	844,250	731,891	844,250	731,891

Remuneration of chief finance officer

Annual Remuneration	446,791	401,229	446,791	401,229
Travel allowance	170,000	120,000	170,000	120,000
Performance Bonuses	86,567	55,958	86,567	55,958
Contributions to UIF, Medical and Pension Funds	1,542	3,335	1,542	3,335
	704,900	580,522	704,900	580,522

Remuneration of manager - corporate services

Annual Remuneration	434,444	371,914	434,444	371,914
Travel allowance	191,691	191,691	191,691	191,691
Performance Bonuses	90,612	46,858	90,612	46,858
Contributions to UIF, Medical and Pension Funds	21,088	23,452	21,088	23,452
	737,835	633,915	737,835	633,915

Remuneration of manager - community services

Annual Remuneration	271,867	428,553	271,867	428,553
Travel allowance	52,000	96,000	52,000	96,000
Performance Bonuses	-	55,958	-	55,958
Contributions to UIF, Medical and Pension Funds	4,858	13,098	4,858	13,098

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
27. Employee related costs (continued)				
Other	61,833	-	61,833	-
	390,558	593,609	390,558	593,609
Remuneration of manager - infrastructure services				
Annual Remuneration	425,726	332,293	425,726	332,293
Travel allowance	120,000	120,000	120,000	120,000
Performance Bonuses	86,567	44,766	86,567	44,766
Contributions to UIF, Medical and Pension Funds	70,879	61,352	70,879	61,352
	703,172	558,411	703,172	558,411
Remuneration of chief executive officer BCDA				
Annual Remuneration	164,180	410,451	-	-
Car Allowance	45,000	112,500	-	-
Performance Bonuses	34,836	34,863	-	-
Contributions to UIF, Medical and Pension Funds	749	1,872	-	-
Backpay	39,900	18,190	-	-
Cell phone allowance	4,383	10,958	-	-
	289,048	588,834	-	-
Remuneration of the financial manager BCDA				
Annual Remuneration	160,920	165,800	-	-
Performance Bonuses	12,120	10,120	-	-
Contributions to UIF, Medical and Pension Funds	1,479	1,705	-	-
Backpay	13,600	-	-	-
	188,119	177,625	-	-
Remuneration of other senior management BCDA				
Annual Remuneration	1,050,405	901,014	-	-
Performance Bonuses	100,569	3,352,383	-	-
Contributions to UIF, Medical and Pension Funds	4,491	5,616	-	-
Backpay	118,200	40,260	-	-
Cellphone allowance	26,298	32,874	-	-
	1,299,963	4,332,147	-	-
28. Remuneration of councillors				
Mayor and councillors	2,354,221	1,805,594	2,354,221	1,805,594
In-kind benefits				
The mayor nor councillors received any in-kind benefits.				
29. Finance costs				
Trade and other payables	314	-	314	-
Finance leases	456,905	368,506	456,905	368,506

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

105

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
29. Finance costs (continued)				
Bank	-	419	-	-
Interest cost - PRMA liability	870,825	-	870,825	-
	1,328,044	368,925	1,328,044	368,506

30. Debt impairment

Contributions to debt impairment provision	6,106,121	6,045,384	6,106,121	6,045,384
Debts impaired	169,691	-	169,691	-
	6,275,812	6,045,384	6,275,812	6,045,384

If there is objective evidence that an impairment loss on trade receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount is reduced through use of an allowance account. When a trade receivable is considered uncollectable it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in Statement of Financial Performance. Subsequent recoveries of amounts previously written off are recognised in the Statement of Financial Performance.

31. Bulk purchases

Electricity	26,467,467	20,477,057	26,467,467	20,477,057
Water	1,151,516	428,063	1,151,516	428,063
	27,618,983	20,905,120	27,618,983	20,905,120

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
32. General expenses				
Accounting fees	106,141	47,701	-	-
Advertising	615,384	171,063	604,417	163,215
Auditors remuneration	2,110,088	595,772	2,086,160	595,772
Bank charges	177,242	190,283	169,914	182,300
Consulting and professional fees	1,096,786	1,486,277	1,044,913	1,484,902
Consumables	300,093	338,760	295,062	329,032
Donations	1,465	-	1,465	-
Entertainment	1,204,692	750,227	1,180,604	724,820
Animal Costs	17,500	15,493	17,500	15,493
Insurance	640,471	625,958	626,864	608,181
Conferences and seminars	19,525	23,223	19,525	23,223
IT expenses	7,950	7,709	-	-
Rentals and operating leases	851,590	340,531	839,872	331,851
Finance leases	428,787	439,545	428,787	439,545
Marketing	32,880	44,677	-	-
Magazines, books and periodicals	16,482	18,710	15,373	18,405
Fuel and oil	1,535,498	1,669,123	1,535,498	1,669,123
Postage and courier	948	1,917	-	-
Printing and stationery	762,876	714,660	739,683	693,908
Protective clothing	106,120	95,007	106,120	95,007
Security (Guarding of municipal property)	548,312	463,327	546,724	461,666
Telephone and fax	1,091,157	1,057,199	1,055,969	1,026,908
Transport and freight	29,688	28,423	29,688	28,423
Training	11,382	22,789	11,382	22,789
Travel - local	206,594	192,229	-	-
Title deed search fees	26,476	5,722	26,476	5,722
Utilities - water and electricity	2,008,838	1,158,792	1,975,358	1,118,268
Tourism development	2,157,578	1,144,253	89,583	138,221
Licences	467,187	283,429	467,187	283,429
Conditional grant expenditure	2,479,571	9,669,168	-	-
Chemicals	321,568	370,993	321,568	370,993
Other expenses (see below)	823,477	542,577	781,178	527,719
	20,204,344	22,515,535	15,016,670	11,358,915
Conditional grant expenditure				
Conditional grant operating expenditure	2,479,571	9,669,168	2,479,571	9,669,168
Other expenses				
WARD COMMITTEES	45,555	500	45,555	500
MAYOR'S DISCRETIONARY EXPENSES	48,106	27,135	48,106	27,135
VARIOUS SPECIAL EVENTS	65,083	37,771	65,083	37,771
DIS/RE-CONNECTION FEES	7,415	109,402	7,415	109,402
LEVIES - OTHER	432,940	112,284	432,940	112,284
LEVIES - OTHER	-	17	-	17
FRUITLESS EXPENDITURE	1,640	88,800	1,640	88,800
RE-LOCATION COSTS	4,352	4,237	4,352	4,237
PRIVATE WORKS	96,188	49,018	96,188	49,018
ALIEN VEGETATION	3,216	500	3,216	500
PRODIBA	73,678	59,206	73,677	59,206
PAUPER BURIALS	1,900	2,149	1,900	2,149
PREVENTION OF EPIDEMICS	-	597	-	596
MEDICAL EXPENSES	1,106	444	1,106	444
REDEMPTION - EXTERNAL LOANS	-	35,660	-	35,660
Internet and Email Expenditure	9,422	13,060	-	-
Webhosting and Administration Exp	32,562	504	-	-
General Expenditure	315	1,294	-	-

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

107

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
32. General expenses (continued)	823,478	542,578	781,178	527,719
33. Cash generated from operations				
Surplus	22,751,322	17,256,396	22,666,780	17,025,538
Adjustments for:				
Loss on sale of assets and liabilities	(492,362)	-	(492,362)	-
Finance costs - Finance leases	456,905	388,508	456,905	388,508
Debt impairment	6,275,812	(6,045,384)	6,275,812	(6,045,384)
Movements in operating lease assets and accruals	-	(649,690)	-	(649,690)
Movements in retirement benefit assets and liabilities	1,522,175	-	1,522,175	-
Movements in provisions	739,747	263,972	739,747	263,974
Adjustment to asset allocation	522,144	2,277,637	522,144	2,277,637
Adjustment on loss of assets	333,772	-	333,772	-
Implementation takeon	-	1,723,455	-	1,723,455
Adjustment performance bonuses	(263,972)	-	(263,972)	-
Adjustment on prepaid electricity	(48,155)	-	(48,155)	-
Finance lease adjustment	13,137	-	13,137	-
Changes in working capital:				
Inventories	(354,265)	(543,127)	(354,265)	(543,127)
Trade and other receivables from exchange transactions	(562,695)	(829,837)	(544,785)	(829,837)
Other receivables from non-exchange transactions	67,923	1,882,715	67,923	1,789,016
Consumer debtors	(7,773,883)	4,470,201	(7,773,883)	4,470,201
Trade and other payables	2,062,154	(3,494,762)	1,764,195	(3,454,995)
VAT	482,159	(613,958)	93,925	(1,089,736)
Unspent conditional grants and receipts	473,001	(1,752,464)	474,500	(1,753,963)
Consumer deposits	244,129	1,105,422	244,129	1,105,422
	26,449,048	15,419,082	25,697,722	14,657,017

34. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Economic entity - 2010

	Loans and receivables	Total
Other financial assets	203,508	203,508
Trade and other receivables from exchange transactions	570,293	570,293
Trade and other receivables from non exchange transactions	1,647,450	1,647,450
Vat receivable	995,811	995,811
Consumer debtors	7,306,331	7,306,331
Cash and cash equivalents	21,589,686	21,589,686
	32,313,077	32,313,077

Economic entity - 2009

	Loans and receivables	Total
Other financial assets	298,450	298,450
Trade and other receivables from exchange transactions	8,578	8,578
Trade and other receivables from non exchange transactions	1,715,373	1,715,373
Vat receivable	1,089,736	1,089,736

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
34. Financial assets by category (continued)				
Consumer debtors			5,808,260	5,808,260
Cash and cash equivalents			11,532,192	11,532,192
			20,452,589	20,452,589

Controlling entity - 2010

	Loans and receivables	Total
Other financial assets	203,508	203,508
Trade and other receivables from exchange transactions	551,045	551,045
Other receivables from non-exchange transactions	1,647,450	1,647,450
VAT receivable	995,811	995,811
Consumer debtors	7,306,331	7,306,331
Cash and cash equivalents	20,112,087	20,112,087
	30,816,230	30,816,230

Controlling entity - 2009

	Loans and receivables	Total
Other financial assets	298,450	298,450
Trade and other receivables from exchange transactions	7,239	7,239
Other receivables from non-exchange transactions	1,715,373	1,715,373
VAT receivable	1,089,736	1,089,736
Consumer debtors	5,808,260	5,808,260
Cash and cash equivalents	10,787,541	10,787,541
	19,706,599	19,706,599

No financial assets have been pledged as collateral for liabilities or contingent liabilities

Financial assets neither past due or impaired are expected to realise. If the credit quality of the asset is suspect it is impaired.

35. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Economic entity - 2010

	Financial liabilities at amortised cost	Total
Trade and other payables	6,518,923	6,518,923
Unspent conditional grants and receipts	7,532,894	7,532,894
	14,051,817	14,051,817

Economic entity - 2009

	Financial liabilities at amortised cost	Total
Trade and other payables	4,504,451	4,504,451
Unspent conditional grants and receipts	7,059,892	7,059,892

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

109

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

35. Financial liabilities by category (continued)

11,564,343 11,564,343

Controlling entity - 2010

	Financial liabilities at amortised cost	Total
Trade and other payables	8,016,261	8,016,261
Unspent conditional grants and receipts	7,532,894	7,532,894
	13,549,155	13,549,155

Controlling entity - 2009

	Financial liabilities at amortised cost	Total
Trade and other payables	4,274,566	4,274,566
Unspent conditional grants and receipts	7,058,393	7,058,393
	11,332,959	11,332,959

36. Revenue

Property rates	5,531,510	4,803,504	5,531,510	4,803,504
Service charges	58,751,398	45,743,761	58,751,398	45,743,761
Rental of facilities & equipment	58,882	82,585	58,882	82,585
Income from agency services	575,285	349,028	575,285	349,028
Fines	59,588	83,533	59,588	83,533
Licences and permits	1,206,432	859,050	1,206,432	859,050
Government grants & subsidies	50,059,982	46,482,198	45,235,421	42,125,358
Miscellaneous other revenue	-	8,553	-	8,553
	114,243,077	98,412,212	109,418,516	94,055,370

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	58,751,398	45,743,761	58,751,398	45,743,761
Rental of facilities & equipment	58,882	82,585	58,882	82,585
Income from agency services	575,285	349,028	575,285	349,028
Licences and permits	1,206,432	859,050	1,206,432	859,050
Miscellaneous other revenue	-	8,553	-	8,553
	58,591,997	47,042,977	58,591,997	47,042,977

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	5,531,510	4,803,504	5,531,510	4,803,504
Fines	59,588	83,533	59,588	83,533
Government grants & subsidies	50,059,982	46,482,198	45,235,421	42,125,358
	55,651,080	51,369,235	50,826,519	47,012,393

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
37. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	9,179,271	5,709,583	9,179,271	5,709,583
This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and grant funding.				
Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year	306,853	320,048	296,437	309,632
- in second to fifth year inclusive	677,385	981,633	643,533	939,969
	984,238	1,301,681	939,970	1,249,601

Operating lease payments represent rentals payable by the economic entity for certain of its office equipment. Leases are negotiated for an average term of three to five years and rentals. No contingent rent is payable.

38. Contingencies

Matter: Blue Crane Route Municipality vs Vincemus and three others: - The municipality launched an application to declare four rental agreements entered into to be set aside. The amount claimed approximates R150 000. One of the agreements is underpinned by fraud and the three others were concluded contrary to proper procurement processes. The matter has been set down for hearing of oral evidence whether procurement complied with the Constitution and other governing legislation.

Matter: Corporate finance solutions vs Blue Crane Route Municipality: - The plaintiff has sued for arrear rental payments arising from a ceded agreement. The municipality has counterclaimed for an order declaring the agreement invalid on the basis that the municipal official who entered into the original agreement was not authorised to do so and did not act in term of the peremptory procurement legislation. The amount claimed is R422 000. An application for a trial date has been submitted and a plea to amend the particulars of the claim is being prepared.

Matter: Blue Crane Route vs Claasen and three others: - The municipality has issued a summons for the recovery of monies from the defendants as a result of prejudice suffered by the municipality and benefit derived by the defendants. The amount claimed approximates R4 189 000. The defendants have not pleaded to amended particulars of the claim.

Matter: Blue Crane Route vs Autumn star trading and seven others: - The municipality has sued for the recovery of monies from the first defendant, directors and shareholders of the first defendant and the municipality's former municipal manager. The claim is based on the service provider not providing intended works and Council being misled by the former municipal manager. The amount claimed approximates R1 661 000. Pleadings have been closed and an application for a trial date has been submitted.

Matter: Vincemus vs Blue Crane Route Municipality: - The plaintiff has sued for the payment of arrears in terms of four agreements. The agreements in question are those which the municipality seeks to have declared invalid in the Vincemus case above. The amount claimed approximates R2 005 100. Appearance to defend has been entered into and a plea will be prepared.

Matter: Blue Crane Route vs Van Rensburg: - The municipality has sued for the recovery of money representing a fraudulent inflated mark-up of disbursements charged by the defendant to the municipality. The defendant has also been reported to the Cape Law Society. The amount claimed approximates R88 000. Default judgment was applied for and the defendant has since entered an appearance to defend.

Blue Crane Development Agency has not declared output VAT on grants received as required by section 8(5) of the VAT act, 1991, (Act 89 Of 199). The entity may be liable for penalties and interest to the amount of R205,149 (2009:R184,767).

The outcome of all of the above matters cannot be estimated with certainty.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

111

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009

39. Related parties

Relationships	Associated with
Controlled entities - Blue Crane Development Agency	Refer to note 14
Nico Lombard - Director BCDA	Blitzkraal and Lombard adventures en boerdery
Robin Beach - Director BCDA	Plover properties
Robin Beach - Director BCDA	East Cape rescue and matematica 171
Robin Beach - Director BCDA	Roof top quality tap distributors
Robin Beach - Director BCDA	Madson properties
Chris Wilken - Director BCDA	Ripple effect 17

Related party transactions

Internet expenses			
Blue Crane Route Development Agency		1,020	-
Employee costs			
Blue Crane Development Agency		88,563	87,478
Audit fees			
Blue Crane Development Agency		298,405	-

40. Comparative figures

The municipality have adopted the standards of GRAP and consequently certain comparative figures have been re-stated and reclassified.

Refer to note 2, Changes in Accounting Policy, for an analysis of the effect on the comparative figures.

41. Risk management

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an on going review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate borrowing facilities are maintained and the situation is monitored.

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The economic entity analysis its interest rate exposure on an ongoing basis to adapt borrowings for capital purposes. If borrowings move outside of affordability because of interest rate exposure alternative financing must be found.

At year end, financial instruments exposed to interest rate risk were as follows:

Financial instrument				
Short term deposits	17,674,839	10,490,856	16,337,526	10,034,041

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	12.00 %	8,873,413	-	-	-	-
Other receivables from non exchange transactions	12.00 %	1,647,450	-	-	-	-

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009

41. Risk management (continued)

Long term receivables	10.00 %	121,408	-	-
Cash in current banking institutions	5.00 %	21,589,686	-	-
Trade and other payables - extended credit terms	12.00 %	5,751,463	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and so constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but is all dependant on the political will for execution to control the credit risk. Large consumers may have to produce large guarantees and / or deposits to minimise the credit risk.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2010	Economic entity - 2009	Controlling entity - 2010	Controlling entity - 2009
Short term deposits	17,674,839	10,490,866	18,337,528	10,034,041
Consumer debtors	7,306,331	5,808,260	7,306,331	5,808,260
Trade and other receivables	3,214,533	2,813,686	3,210,417	2,812,348

The municipality holds deposits R1 349 551 (2009 R1 105 422) from consumer debtors. No guarantees or collateral was provided to third parties.

42. Going concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding from various spheres of Government for the ongoing operations for the municipality.

43. Events after the reporting date

There are no events after the reporting date to report on.

44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	1,635	88,800	1,635	88,800
------------------------------------	-------	--------	-------	--------

45. Irregular expenditure

Opening balance	757,371	-	757,371	-
Irregular Expenditure - current year	1,223,231	757,371	1,223,231	757,371
Less: Amounts recoverable	(757,371)	-	(757,371)	-
	1,223,231	757,371	1,223,231	757,371

Details of irregular expenditure

Councillor allowances in excess of gazette	60,248	218,522	60,248	218,522
--	--------	---------	--------	---------

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

113

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
45. Irregular expenditure (continued)				
Competative bidding not in terms of the supply chain management	638,034	-	638,034	-
Pre written quotes not obtained for procurement	-	538,849	-	538,849
Tax clearance certificate not obtained	522,395	-	522,395	-
Procurement quotation process	2,554	-	2,554	-
	1,223,231	757,371	1,223,231	757,371

46. In-kind donations and assistance

Cacadu District Municipality donated certain fire equipment to the value of R408 000.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription	258,200	112,284	258,200	112,284
Amount paid - current year	(258,200)	(112,284)	(258,200)	(112,284)
	-	-	-	-

Material losses through criminal conduct

None.

Audit fees

Opening balance	228,500	-	-	-
Current year fee	1,811,683	1,408,068	1,787,755	1,179,568
Amount paid - current year	(1,983,183)	(1,179,568)	(1,787,755)	(1,179,568)
	57,000	228,500	-	-

PAYE and UIF

Opening balance	36,841	29,374	-	-
Current year deductions	4,415,056	4,116,048	3,885,215	3,459,291
Amount paid - current year	(4,416,320)	(4,108,581)	(3,885,215)	(3,459,291)
	35,577	36,841	-	-

Pension and Medical Aid Deductions

Current year deductions	6,986,323	6,215,419	6,986,323	6,215,419
Amount paid - current year	(6,986,323)	(6,215,419)	(6,986,323)	(6,215,419)
	-	-	-	-

VAT

VAT receivable	995,811	1,089,736	995,811	1,089,736
VAT payable	1,687,675	1,299,441	-	-
	2,683,486	2,389,177	995,811	1,089,736

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

No councillors had any arrear consumer accounts during the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The costs incurred as listed hereunder have been condoned.

Incident

Infrastructure vehicle purchase	1,203,176	-	1,203,176	-
VAM system purchase and implementation	180,000	-	180,000	-
	1,383,176	-	1,383,176	-

48. Reconciliation between budget and statement of financial performance

Net profit per statement of financial performance	-	-	22,686,780	-
Grant expenditure	-	-	(25,434,159)	-
Debt impairment	-	-	3,359,412	-
Finance costs	-	-	510,048	-
Provision for depreciation	-	-	(3,611,818)	-
Bulk purchases	-	-	(1,409,899)	-
Income not realised - grants	-	-	8,578,517	-
General	-	-	(168,075)	-
Net profit per budget	-	-	4,491,006	-

The budget for Blue Crane Development Agency were not available and therefore no budget comparison for the economic entity is provided.

49. Operating lease asset (accrual)

50. Auditors' remuneration

Fees	2,086,160	595,772	2,086,160	595,772
Expenses	23,928	-	-	-
	2,110,088	595,772	2,086,160	595,772

51. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Provision for performance bonuses in respect of 2009 created	-	(263,972)	-	(263,972)
Trade and other receivables - overpayment of councillors allowances	-	218,522	-	218,522

Statement of financial performance

Provision for performance bonuses contribution in respect of 2009	-	263,972	-	263,972
Councillors remuneration- adjustment of over payments	-	(218,522)	-	(218,522)

Blue Crane Route Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

115

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
52. VAT payable				
Tax refunds payables	1,687,675	1,299,441	-	-

4.2 Budget to actual comparison

- **Capital Expenditure**

The Accounting Officer's report contained in the set of Financial Statements deals with capital spending, and offers reasons for the significant under-performance, compared to the budgeted figures.

- **Overall Operating Result**

The Municipality concluded the year with a net operational surplus of R4, 478, 905. Added to the deficit brought forward from the previous Financial Year, this results in an accumulated net deficit of R5, 556, 829.

The surplus of R4, 478, 905 for the Financial Year is mainly attributable to the controls on the expenditure, and the non-expenditure of Capital Projects not done, but budgeted for.

- **Operating Expenditure**

The analysis of the Municipality's operating expenditure is as follows:

Operating Expenditure	R	% of Gross Expenditure
Personnel costs	32,734,894	40
General expenses	18,222,659	22
Bulk purchases – Electricity	20,477,057	25
Bulk purchases - Water	428,063	0
Repairs and Maintenance	3,000,107	3
Capital Charges	40,755	0
Contributions to fixed assets	1,158,260	2
Contributions to funds	6,497,073	8
Gross Expenditure	82,558,868	100
Less: Amount charged out	439,200	
Net Expenditure	82,119,668	

Expenditure such as personnel cost, purchase of power and general expenses over which Council has very limited capacity to adjust in the short-term account for approximately 89% of gross operating expenditure. This leaves Council with very limited scope to redirect spending towards, for example, supporting operational expenses and loans needed for the improvement of infrastructure and services in previously deprived areas.

An amount of R88 799.66 consists of wasteful expenditure and was approved by Council. The reason for this expenditure was for interest on late payments and the former Municipal Manager's interest on his leave, and a payment made for the Performance contracts of the Development Agency.

- **Operating Income**

The following is a breakdown of the Municipality's operating income represented by the respective income categories:

Income Category	R	%
Grants and Subsidies	22,639,008	26
Assessment Rates	4,803,503	6
Electricity Charges	33,558,507	39
Refuse	4,498,072	5
Sewerage and Sanitation	3,974,636	5
Water Charges	7,283,135	8
Other Income	8,912,434	10
Interest Received	929,278	1
Total Income	86,598,573	100

Grants, Subsidies and Electricity income are the major sources of income and constitute 48% of total income.

Actual income increased due to the gross rates shown as income.

- **Balance Sheet**

The Balance Sheet is a snapshot of Council's financial standing at a particular point in time. It reflects the financial results and policies and helps Council, as well as outsiders, to determine the asset worth of the Municipality, and to what extent that worth is encumbered.

Council must take note that the current assets exceed the current liabilities and that means that the Municipality have the funds to pay their current liabilities.

- **Financial Policies**

It is important to peruse the financial policies contained in the statements before analysing the statements.

There were no major policy reviews undertaken in the year under review.

Discussion of certain headings in the Balance Sheet follows.

- **Capital Employed**

This heading reflects the capital employed in the organisation and how that capital was generated. It mainly consists of two broad categories viz. **own capital** and **borrowed capital** and tells the reader where the ownership of the Municipality actually vests.

- **Own Capital**

Own capital is contained under the headings “Funds and Reserves” and “Accumulated Surplus/Deficit”.

This situation has currently improved due to the fact that the Accumulated Deficit has decreased from R10,035,734 to R4,572,827 and this means that the Municipality’s current financial position is starting to look better.

- **Borrowed Capital**

Borrowed capital is contained under the headings “Trust Funds, Long-Term Liabilities and Consumer Deposits: Services”.

Borrowed capital totals to R8,416,488.

The Municipality’s total borrowing is R8,416,488 (borrowed capital) plus R11,655,063 (current liabilities), which totals R20,071,551.

From the above it is clear that the Municipality’s current assets exceeds its liabilities, which was not the position in the 2007/08 Financial Year and it means that the Municipality will be able to repay its Creditors, and that the funds are cash backed in a Call Account i.e. our Money Market account.

- **Debtors**

Debtors, in respect of services, amounted to R21 149 498 before the deduction of doubtful debts.

A provision of R14,493,004 is made for bad debts, and an amount of R6,045,383.67 was written off during the Financial Year.

The performance overview above reflects a substantial deterioration in the situation, despite the amount written off.

By having an exceedingly high amount of revenue locked in Debtors, Council is effectively compromising its ability to finance infrastructure development desperately needed for economic growth and to eradicate service backlogs in underdeveloped areas.

The high amount contained in Debtors reflects poorly on Council's ability to collect its revenue and furthermore causes unnecessary upward pressure on tariffs to compensate for doubtful debts.

It frustrates the strategic plan of Council in various ways and leads to inappropriate reductions in operating expenditure on essential items such as maintenance expenditure on infrastructure.

- **Creditors**

The total amount owing by Council to Creditors is R7, 252, 475. The Municipality paid these Creditors in the month of July 2009 and for the first time in a long while the Municipality is paying their Creditors in 30 days, as required by the MFMA Act.

- **Councillor Remuneration**

The amount spent on remuneration of Councillors was R2, 024, 116 and this was an increase of 24.4%.

- **Section 57 Employees**

The amount spent on remuneration of Section 57 employees amounted to R2, 834, 377.

- **Overall Results and Comments**

Control over expenditure needs to be improved, and a strategy adopted to wipe out the current deficit situation over a realistic period.

The financial targets contained in the overview above need to be adopted as benchmarks for future performance, and progress needs to be regularly monitored to ensure compliance.

Revenue collection needs to be improved and tariffs must be restructured to make them cost- and user related to ensure a more equitable distribution of the amount available for relief to the poor.

Council must also take note that the landfill sites have only been added in the Financial Statements as a note and not a provision, because the Municipality do not have that kind of money. The Municipality have already applied to National Treasury for money.

Council must also take note that these Financial Statements are only in draft format and can be changed if necessary.

4.3 Grants and Transfers' Spending

Grant details			Amount received and spent each quarter											
			1/04/2008		01/07/2008		01/10/2008		01/01/2009		01/04/2009		Total	
			to		to		To		to		to			
Project name	Donor name	BF amount	30/06/2008	Rec.	Spent	30/09/2008	Rec.	Spent	30/12/2008	Rec.	Spent	30/03/2009	Rec.	Spent
MIG	Nat. T	-	1 850	1 787	2 350	2 313	1 950	1 485	1 257	2 043	4 935	4 914	12 542	12 542
MSIG	Nat. T	-	-	246	735	55	-	2	-	67	-	363	735	733
IDP/CF	CDM	-	-	11	200	-	158	-	-	9	-	45	358	65
FMG	Nat. T	-	250	63	-	63	-	63	-	66	250	255	500	505

HIV/AIDS	CDM	-	-	-	-	-	-	-	-	-	60	-	60	-
Perimeter Fence	CDM	-	-	-	-	-	-	-	840	115	-	344	840	459
DWAF	DWAF	-	1 043	-	-	373	-	151	262	5	-	551	1 305	1 080

4.4 Meeting of Donors' requirements in respect of conditional grants

The Municipality did not have any donors in respect of conditional grants during reviewed period.

4.5 Long-term contracts entered into by the Municipality

The Municipality has not entered into any long-term contracts during the period reviewed.

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	11 491	12 019	100%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs. the operational budget
2	Salary budget as a percentage of the total operational budget	-	32 735	30%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs. the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	-	-	-
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	-	-	-
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	-	-	-

6	Percentage of MIG budget appropriately spent	-	10 312	100%
7	Percentage of MSIG budget appropriately spent	-	735	100%

4.7 The Audit Committee's functionality

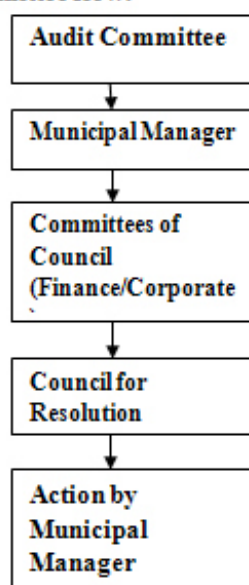
The Internal Audit Committee has a schedule of four meetings per year. The service is a shared service between, and amongst, Ikwezi, Camdeboo and Blue Crane Route Local Municipalities. The meetings rotate amongst the three Local Municipalities. The following attend the meetings:

- Mayors.
- Municipal Managers.
- Chief Finance Officers.
- Any other relevant officials.
- Audit Committee Members.
- Internal Auditors, and
- Scribes.

● They (A/C) focus on:

- Financial controls.
- Policy issues and emergent trends through circulars.
- Risk Management issues graded according to red, amber and green.
- Prioritization of risk.
- Reporting on finance and performance.
- Governance issues.
- Economic development issues.
- Assess and review financial statements.
- Provide report on Annual Report about municipal trends.
- Do some integration on financial matters, and
- Elaborate on Auditor-General report and advise Council accordingly.

● Recommendation of the Audit Committee flow:



↓
Report back to
Committee

A new Audit Committee is to be appointed for the ensuing Financial Year 2009/10. A discussion needs to be tabled between the three municipalities to confirm the process.

4.8 Arrears in property rates and service charges

The Age Analysis of Debtors as at 30 June 2009 is as follows:

Detail	30 Days (R'000)	60 Days (R'000)	90 Days (R'000)	120 Days (R'000)	150 Days (R'000)	180 Days (R'000)	1 Year (R'000)	Over 1 Year (R'000)	Total (R'000)
Debtors Age Analysis by Income Source:									
Water Tariffs	1 099	261	204	292	227	205	752	2 425	5 470
Electricity Tariffs	2 817	241	115	117	78	54	170	371	3 967
Rates(Property)	378	42	37	34	34	31	323	1 023	1 906
Sew./Sanitation Tariffs	629	147	125	143	116	117	481	2 177	3 937
Refuse Removal Tariffs	679	169	156	171	144	136	606	2 081	4 146
Housing(Rental Income)	85	11	8	7	6	5	59	284	468
Other	-28	34	39	67	43	41	309	2 683	3 191
Total by Income Source	5 661	908	688	834	652	590	2 703	11 049	23 085
Debtors Age Analysis By Customer Group:									
Government	254	122	1	1	8	2	16	21	425
Business	572	12	6	6	6	5	22	104	733
Households	4 382	743	662	815	605	577	2 461	10 594	20 839
Other	453	31	19	12	33	6	204	330	1 088
Total by Customer Group	5 661	908	688	834	652	590	2 703	11 049	23 085

4.9 Anti- Corruption Strategy

The Municipality did not have a Fraud Prevention Strategy in place during the period under review, but did approve a Fraud Prevention Policy on 27 May 2009 and the awareness campaign and the implementation thereof will take place during the 2009/2010 Financial Year.

4.10 The Audit Committee

The BCRM is part of the cluster shared service on Audit Committee function. This includes Camdeboo,⁶⁵ Ikwezi, and Sunday's River. It operates as follows:

Committee Members	Status	Meetings	Functionality
Prof. Rosenberg	Chairperson	Four times per year	Attended all
Mr. R. Botha	Member	Four times per year	Attended all
Ms R van der Walt	Member	Four times per year	Attended all

The Audit Committee sits and invites the Internal Audit Services (also shared service) to the meetings. The internal auditors were PriceWaterHouseCoopers and the meeting focused on:

- Financial performance.
- Municipal performance.
- Risk areas raised by internal auditors and responses thereof.
- Recommended development focus, and
- Recommendation of the Audit Committee.

The recommendations are submitted to the Finance Committee and finally to Council for approval and action.

The Municipal Manager then accounts to the next Audit Committee meeting on recommendations.

4.11 The Auditor-General's Report

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE BLUE CRANE ROUTE MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying consolidated financial statements and financial statements of the Blue Crane Route Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2010, and the consolidated and separate statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages xx to xx.

Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Property, plant and equipment

7. Standards of Generally Recognised Accounting Practice, GRAP 17, "Property, plant and equipment" requires that the cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment were recorded as assets in the municipality's accounting records however the existence of these assets could not be proven. The Municipality does not have adequate accounting records to permit the application of alternative auditing procedures. As a result I am unable to determine whether all the property, plant and equipment recorded in the annual financial statements belongs to the Municipality.

In addition to the above, items of property, plant and equipment were identified as assets of the municipality however these were not recognised as assets within the municipality's accounting records. The Municipality does not have adequate accounting records to permit the application of alternative auditing procedures. As a result I am unable to determine whether all the property, plant and equipment belonging to the Municipality has been recorded in the annual financial statements.

Due to the application of the exemptions on valuing of property, plant and equipment as set out in Directive 4 the amount associated to above mentioned assets would be R 1 until such time as the Directive is no longer in effect.

Investment property

8. Standards of Generally Recognised Accounting Practice, GRAP 16, "Investment property" defines Investment property as property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations. The municipality has incorrectly classified investment properties as part of property, plant and equipment in the annual financial statements. Due to the application of the exemptions on valuing of property, plant and equipment as set out in Directive 4 the amount associated to these assets would be R 1 until such time as the Directive is no longer in effect. The Municipality does not have adequate accounting records to permit the application of alternative auditing procedures. As a result I am unable to determine the value of the investment property incorrectly classified as part of property, plant and equipment in the annual financial statements.

Change in accounting policy – Conversion to Generally Recognised Accounting Practice

9. The entity could not provide sufficient appropriate audit evidence to support the adjustment in the statement of changes in net assets on the balance of accumulated surplus as at 01 July 2008 of R 4 574 362 in the economic entity and R 4 622 628 in the controlling entity relating to the change in accounting policy.
10. The municipality also did not determine the present value of the defined benefit obligation as at 1 July 2008. The full value of the present value of the defined benefit obligation of R 13 121 847 as at 30 June 2009 has been incorrectly recognised in the statement of

changes in net assets and no movement has been recorded through the income statement for the year ended 30 June 2009.

11. The Municipality does not have adequate accounting records to permit the application of alternative auditing procedures. As a result I am unable to determine the effect on the balance of accumulated surplus as at 1 July 2008 and the resulting movement which should have been recognised through the statement of financial performance for the year ended 30 June 2009 in the annual financial statements.

Consolidated Statement of Financial Performance

12. Standards of Generally Recognised Accounting Practice, GRAP 6, "Consolidated and Separate Financial Statements" states that when the financial statements of a controlled entity used in the preparation of consolidated financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's financial statements. It also states that, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months and the length of the reporting periods and any difference in the reporting dates shall be the same from period to period.

The statement of financial performance of the controlled entity relates to a sixteen month period and has been consolidated into the statement of financial performance of the economic entity for the year ended 30 June 2009. No adjustment has been made to eliminate the profit relating to the period 1 March 2008 to 30 June 2008 of the controlled entity.

The Municipality does not have adequate accounting records to permit the application of alternative auditing procedures. As a result I am unable to determine the effect on the balance of accumulated surplus as at 1 July 2008 and the resulting adjustment which should have been recognised through the statement of financial performance for the year ended 30 June 2009 in the annual financial statements.

Financial instruments disclosures

13. The Municipality did not to comply with all the provisions of the International Accounting Standards (IAS) 32 and 39 in respect of the disclosure, classification and measurement of financial instruments and exposure to risks arising from financial instruments. Due to a lack of documentation it was not possible to assess the impact of this non-disclosure on the financial statements. Furthermore, the Municipality did not disclose all items required by the International Financial Reporting Standard (IFRS) 7, either in the Statement of Financial Position or in the notes to the Annual Financial Statements.

Prior period errors and changes in accounting policy disclosures

14. The Municipality did not comply with all the disclosure requirements in terms of the Standards of Generally Recognised Accounting Practice, GRAP 3, "Accounting Policies, Changes In Accounting Estimates And Errors" as the nature of the prior period errors were not disclosed. The amounts of the corrections for each of the affected financial statement line items and the amounts of the corrections at the beginning of the earliest prior period presented were not all disclosed in note 2 for the changes in accounting policies and for note 51 of the annual financial statements for the prior period errors.

Cash and cash equivalents disclosures

15. Standards of Generally Recognised Accounting Practice, GRAP 2, "Cash flow statements" states that the cash flow statement shall report cash flows during the period classified by operating, investing and financing activities.
16. The following amounts as disclosed in the cash flow statement for the economic entity were not accurate:
 - Finance costs disclosed as an outflow of R 871 139 (2009: R 419) is inaccurate as the recalculated amount is R 1 328 044 (2009: R 368 925). No reconciliation or any other audit evidence in support of the difference of R 456 905 (2009: R 368 506) could be obtained.
 - Net movement in financial assets disclosed as an inflow of R 94 943 (2009: outflow of R 20 831) is inaccurate as the recalculated amount is an outflow of R 94 943 (2009: R 85 281). No reconciliation or any other audit evidence in support of the difference of R 189 886 (2009: R 64 450) could be obtained. The line item, net movement in financial assets, has been duplicated and shows an additional inflow of R 94 943 (2009: outflow of R 20 831) which is incorrect.
 - Finance lease payments disclosed as an outflow of R 1 056 548 (2009: R 775 309) is inaccurate as the recalculated amount is R 919 844 (2009: R 699 268). No reconciliation or any other audit evidence in support of the difference of R 136 703 (2009: R 76 040) could be obtained.
 - Under net cash flows from operating activities a line item undefined difference compared to the cash generated from operations note includes an amount of R 77 302 389 (2009: R 57 062 586). No reconciliation or any other audit evidence in support of these amounts could be obtained.
17. The following amounts as disclosed in the cash flow statement for the controlling entity were not accurate:
 - Finance costs disclosed as an outflow of R 871 139 (2009: R 283 922) is inaccurate as the recalculated amount is R 1 328 044 (2009: R 368 506). No reconciliation or any other audit evidence in support of the difference of R 456 905 (2009: R 84 584) could be obtained.
 - Net movement in financial assets disclosed as an inflow of R 94 943 (2009: outflow of R 20 831) is inaccurate as the recalculated amount is an outflow of R 94 943 (2009: R 85 281). No reconciliation or any other audit evidence in support of the difference of R 189 886 (2009: R 64 450) could be obtained.
 - Finance lease payments disclosed as an outflow of R 1 056 548 (2009: R 775 309) is inaccurate as the recalculated amount is R 919 844 (2009: R 699 268). No reconciliation or any other audit evidence in support of the difference of R 136 703 (2009: R 76 040) could be obtained.
18. The following amounts as disclosed in note 33, the cash generated from operations note, were not accurate for the economic entity:

- Finance costs – Finance leases disclosed as R 456 905 is inaccurate as the recalculated amount is R 1 328 044. No reconciliation or any other audit evidence in support of the difference of R 871 139 could be obtained.
- Debt impairment disclosed in the 2009 year as a decrease of R 6 045 384 is inaccurate as the recalculated amount is an increase of R 6 045 384. No reconciliation or any other audit evidence in support of the difference of R 12 090 768 could be obtained.
- No audit evidence could be obtained to support the movements relating to: Movements in operating lease assets and accruals in the 2009 year of R 649 690, Movements in retirement benefit assets and liabilities in the 2010 year of R 1 522 175, Adjustment to asset allocation of R 522 143 (2009: R 2 277 637), Adjustment on loss of assets in the 2010 year of R 333 770, Implementation takeon in the 2009 year of R 1 723 455, finance lease adjustment in the 2010 year of R 13 137.
- Inventories change in working capital disclosed as R 354 265 is inaccurate as the recalculated amount is R 84 755. No reconciliation or any other audit evidence in support of the difference of R 269 510 could be obtained.
- Consumer debtors change in working capital disclosed as R 7 773 883 is inaccurate as the recalculated amount is R1 498 071. No reconciliation or any other audit evidence in support of the difference of R 6 275 812 could be obtained.

19. The following amounts as disclosed in note 33, the cash generated from operations note, were not accurate for the controlling entity:

- Finance costs – Finance leases disclosed as R 456 905 is inaccurate as the recalculated amount is R 1 328 044. No reconciliation or any other audit evidence in support of the difference of R 871 139 could be obtained.
- Debt impairment disclosed in the 2009 year as a decrease of R 6 045 384 is inaccurate as the recalculated amount is an increase of R 6 045 384. No reconciliation or any other audit evidence in support of the difference of R 12 090 768 could be obtained.
- No audit evidence could be obtained to support the movements relating to: Movements in operating lease assets and accruals in the 2009 year of R 649 690, Movements in retirement benefit assets and liabilities in the 2010 year of R 1 522 175, Adjustment to asset allocation of R 522 143 (2009: R 2 277 637), Adjustment on loss of assets in the 2010 year of R 333 770, Implementation take on in the 2009 year of R 1 723 455, finance lease adjustment in the 2010 year of R 13 137.
- Inventories change in working capital disclosed as R 354 265 is inaccurate as the recalculated amount is R 84 755. No reconciliation or any other audit evidence in support of the difference of R 269 510 could be obtained.
- Consumer debtors change in working capital disclosed as R 7 773 883 is inaccurate as the recalculated amount is R1 498 071. No reconciliation or any other audit evidence in support of the difference of R 6 275 812 could be obtained.

20. The following amounts disclosed in note 10 under the section listing the municipality's bank account balances of R 11 726 244 at 30 June 2009 and R 12 670 535 at 30 June 2008 does not agree to the total cash balance less cash on hand of R 11 530 380 at 30 June 2009 and R 8 989 617 at 30 June 2008. No reconciliation or any other audit evidence in support of the difference of R 195 864 at 30 June 2009 and R 3 680 918 at 30 June 2008 could be obtained.

Minimum lease payments disclosures

21. Standards of Generally Recognised Accounting Practice, GRAP 17, "Leases" states that the lessee shall disclose a reconciliation between the total of future minimum lease payments at the reporting date, and their present value. In addition, an entity shall disclose the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods: "not later than one year", "later than one year and not later than five years", and "later than five years".
22. The disclosures relating to minimum lease payments due in note 15 of the annual financial statements, for both the economic entity and controlling entity, did not agree to the actual future minimum lease payments due in the following instances:
- Minimum lease payments due within one year of R 1 425 772 (2009: R 1 032 481) is inaccurate as the recalculated amount is R 1 450 819 (2009: R 1 520 049). No reconciliation or any other audit evidence in support of the difference of R 25 047 (2009: R 487 568) could be obtained.
 - Minimum lease payments due within the second to fifth year inclusive of R 3 915 200 (2009: R 3 187 351) is inaccurate as the recalculated amount is R 1 910 512 (2009: R 355 233). No reconciliation or any other audit evidence in support of the difference of R 2 004 688 (2009: R 2 832 118) could be obtained.
 - The amount for future finance charges of R 1 087 083 (2009: R 860 555) was added in the calculation this is inaccurate as an amount of R 517 645 (2009: R 987 838) should have been deducted in the calculation. No reconciliation or any other audit evidence in support of the difference of R 569 438 (2009: R 127 283) could be obtained.
 - Therefore the total minimum lease payments due of R 4 253 889 (2009: R 3 359 277) is inaccurate as the recalculated amount is R 2 843 687 (2009: R 3 887 434). No reconciliation or any other audit evidence in support of the difference of R 1 410 202 (2009: R 528 157) could be obtained.
 - Present value of minimum lease payments due within one year of R 932 005 (2009: R 654 238) is inaccurate as the recalculated amount is R 1 179 396 (2009: R 1 049 564). No reconciliation or any other audit evidence in support of the difference of R 247 391 (2009: R 395 326) could be obtained.
 - Present value of minimum lease payments due within the second to fifth year inclusive of R 3 305 412 (2009: R 2 688 566) is inaccurate as the recalculated amount is R 1 668 583 (2009: R 2 837 870). No reconciliation or any other audit evidence in support of the difference of R 1 636 829 (2009: R 149 304) could be obtained.
 - Therefore the total present value of minimum lease payments due of R 4 237 417 (2009: R 3 342 804) is inaccurate as the recalculated amount is R 2 847 979 (2009:

R 3 887 434). No reconciliation or any other audit evidence in support of the difference of R 1 389 438 (2009: R 544 630) could be obtained.

23. Note 37, relating to commitments, contains disclosures for minimum lease payments due of R 939 970 (2009: R 1 249 601) relating to the controlling entity's operating leases. The controlling entity does not have any operating leases and therefore these disclosures should be nil.
24. Note 37 relating to commitments contains disclosures for minimum lease payments due of R 984 238 (2009: R 1 301 681) relating to the economic entity's operating leases. These amounts are inaccurate and should be R 44 268 (2009: R 52 080).

Contingent liabilities disclosures

25. Standards of Generally Recognised Accounting Practice, GRAP 19, "Provisions, Contingent Liabilities and Contingent Assets" states that an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable an estimate of its financial effect; an indication of the uncertainties relating to the amount or timing of any outflow; and the possibility of any reimbursement.

The municipality has not made the required disclosures relating to contingent liabilities of R 4 692 000.

Qualified opinion

26. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the Blue Crane Route Municipality as at 30 June 2010 and its consolidated and separate financial performance, and its cash flows for the year then ended are prepared, in all material respects, in accordance with the Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

27. With reference to note 38 to the financial statements, the municipality is the defendant in the following lawsuits:
 - Corporate Finance Solutions
 - Vincemus
 - Aubrey Du Preez
 - Alfred Thys
 - A.F. Afrikaner

The ultimate outcome of the lawsuits cannot be determined at present and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

28. As disclosed in note 51 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of errors related to the provision for bonuses and provision for performance bonuses discovered during the current financial year audit, in the financial statements of the Blue Crane Route Municipality at, and for the year ended, 30 June 2009.

Fruitless and wasteful and irregular expenditure

29. As disclosed in note 44 to the financial statements, fruitless and wasteful expenditure to the amount of R 1 635 (2009: R 88 800) was incurred.
30. As disclosed in note 45 to the financial statements, irregular expenditure to the amount of R 1 223 231 (2009: R 757 371) was incurred.

Additional matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Material inconsistencies in other information included in the annual report

31. I am unable to comment on the other information included in the annual report as this has not yet been submitted. The Municipal Finance Management Act only requires the municipality to submit their annual report within seven months after the end of a financial year (31 January 2011).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

32. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations, MFMA, DoRA, Municipal Systems Act of South Africa (Act No. 32 of 2000), Municipal Structures Act of South Africa, (Act No. 117 of 1998), Municipal Asset Transfer Regulations of South Africa, (GNR.878 of 22 August 2010) (MATR), and financial management (internal control).

Predetermined objectives

33. Material findings on the report on predetermined objectives, as set out on pages xx to xx, are reported below:

Non-compliance with regulatory and reporting requirements

Internal auditing of performance measurements

34. The internal auditors of the Blue Crane Route Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Service Delivery and Budget Implementation Plan

35. The accounting officer did not have a Service Delivery and Budget Implementation Plan in place which links the objectives, indicators and projects in the Integrated Development Plan to the budget and to the organisational scorecards.

Incomplete mid-year budget and performance assessments

36. The accounting officer of the Blue Crane Route Municipality did not (by 25 January of each year) assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

Inadequate content of integrated development plan

37. The Integrated Development Plan of the Blue Crane Route Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
38. The key performance indicators set by the Blue Crane Route Municipality did not include general key performance indicators relating to:
 - The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
 - The percentage of households earning less than R1 100 per month with access to free basic services;
 - The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's Integrated Development Plan;
 - The number of jobs created through municipality's local economic development initiatives including capital projects;
 - The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
 - The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
 - Financial viability as expressed by the above mentioned ratios, as prescribed in terms of section 43(1) of the MSA.

Usefulness of information

39. The following criteria were used to assess the usefulness of the planned and reported performance:
 - Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
 - Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?

- **Measurability:** Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

133

Reported performance information not received in time

40. The usefulness of reported performance information for the objectives, indicators and targets as set out on pages xx to xx of the annual report, could not be verified, since the information was not received in time for audit purposes.

Reliability of Information

41. The following criteria were used to assess the usefulness of the planned and reported performance:
 - **Validity:** Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
 - **Accuracy:** Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
 - **Completeness:** All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

Reported performance information not received in time

42. The reliability of reported performance information for the objectives, indicators and targets as set out on pages xx to xx of the annual report, could not be verified, since the information was not received in time for audit purposes.

Compliance with laws and regulations

Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA)

The financial statements were not prepared in accordance with applicable legislation

43. The financial statements submitted for audit did not comply with section 122(1) of the MFMA. Material misstatements were identified during the audit, certain of these were corrected by management and those that were not are included in the basis for qualified opinion paragraph.
44. The annual financial statements of the municipal entity were not submitted to the Auditor-General within two months after the end of the financial year to which those statements relate, as required by section 126(2)(b) of the MFMA.

Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

45. Expenditure was not incurred in accordance with the requirements of the MFMA as set out in section 1 the definition of "irregular expenditure" paragraph (a) of the MFMA.

- R 1 025 773 of irregular expenditure was incurred in the period as a result expenditure was being incurred in accordance with the requirements of the MFMA as set out in section 1 the definition of "irregular expenditure" paragraph (a) of the MFMA. This entire amount was included in the total of R 1 223 231 irregular expenditure disclosed in the note to the financial statements prepared in accordance with section 125 (2)(d) of the Municipal Finance Management Act (MFMA).
- R 137 210 of irregular expenditure was incurred in the period as a result of MIG funds received being used for a reason other than the reasons given in the business plan. This entire amount was included in the total of R 1 223 231 irregular expenditure disclosed in the note to the financial statements prepared in accordance with section 125 (2)(d) of the Municipal Finance Management Act (MFMA).

46. Expenditure was not incurred in accordance with the requirements of the Public Office-Bearers Act as set out in section 1 the definition of "irregular expenditure" paragraph (c) of the MFMA.

- R 60 248 of irregular expenditure was incurred in the period as a result of contravention of the requirements of the Public Office-Bearers Act as set out in section 1 the definition of "irregular expenditure" paragraph (c) of the MFMA as councillor salaries were in excess of the government gazetted rates.

This entire amount was included in the total of R 1 223 231 irregular expenditure disclosed in the note to the financial statements prepared in accordance with section 125 (2)(d) of the Municipal Finance Management Act (MFMA).

At date of the report none of the irregular expenditure incurred in the period had been investigated and none was written off by the council as irrecoverable.

Expenditure was not paid within the parameters set by the applicable legislation

47. All suppliers of the municipal entity were not paid within 30 days of receiving the relevant invoice or statement, as required by section 99(2)(b) of the MFMA.

Internal audit was not properly established or functioning

48. The municipal entity did not have a internal audit function for the entire year, as required by section 165(1) of the MFMA.

The audit committee was not properly established or functioning

49. The municipal entity did not have a functioning audit committee for the entire year, as required by section 166(1) of the MFMA.

The accounting authority did not adhere to relevant statutory responsibilities

50. The accounting officer did not adequately manage the financial administration of the entity as required by section 95 of the MFMA as the following significant control weaknesses in the municipal entity were identified:

- Asset counts not performed regularly;
- Incomplete record keeping pertaining to the fixed asset register;
- Approval of leave forms;
- Poor maintenance of accounting records with respect to information to be provided to auditors;

- No communication of salaries to the parent entity;
- Fraud management policy and prevention system not documented and implemented;
- Policies not developed and updated regularly (detailed under "leadership" below).

Remuneration not reported to parent municipality

51. The municipal entity did not report to the council on all expenditure incurred by that municipal entity on directors and staff remuneration matters as required by section 89(b) of the MFMA.

Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA)

Supply Chain Management legislative requirements were not adhered to

52. Contrary to the requirements set out in section 7 of schedule 1 of the MSA annual declarations of interest were not made by all the councillors.

Municipal Supply Chain Regulation of South Africa (GNR.868 of 20 May 2008)

Supply Chain Management legislative requirements were not implemented

53. Contrary to the requirements of the Supply Chain Management Regulations, the supply chain management policy does not include the following:
- no formal requirements have been stipulated for written quotations,
 - no invitation for new prospective providers of goods or services is required to be included on the list of accredited prospective providers,
 - no monthly petty cash reconciliation report is required,
 - no requirement exists for the accounting officer or chief financial officer to be notified in writing, on a monthly basis, of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation,
 - It is not stipulated in The Blue Crane Route Municipality's Supply Chain Management Policy that the accounting officer is responsible for appointing the members of the various bid committees,
 - The Supply Chain Management Policy of The Blue Crane Route Municipality does not restrict the purchases of goods in bulk.

Supply Chain Management legislative requirements were not implemented or not adhered to (not resulting in irregular expenditure)

54. The officials and other role players involved in the implementation of the supply chain management policy of the municipal entity did not declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate of that person may have in any proposed procurement or disposal process of, or in award of a contract by, the municipal entity as prescribed in terms of regulation 46(2)(e).

Value Added Tax Act, 1991 (Act No. 89 of 1991) (VAT Act)

VAT returns not submitted

55. No VAT returns of the municipal entity were submitted as prescribed by section 28 of the VAT Act.

VAT not correctly accounted for

56. The municipal entity did not account for the output VAT on the disposal of assets as required by section 8 of the VAT Act.

INTERNAL CONTROL

57. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, DoRA, Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000), Municipal Structures Act of South Africa, (Act No. 117 of 1998), Municipal Asset Transfer Regulations of South Africa, (GNR.878 of 22 August 2010) (MATR) but not for the purpose of expressing an opinion on the effectiveness of internal control.

58. The matters reported below are limited to the significant deficiencies regarding the basis for qualified opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

Oversight responsibility: Compliance and reporting

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control as a number of deviations related to compliance with regulatory and reporting requirements were identified.

Actions to mitigate risks: Operational

Decisive action was not taken by those in charge of governance to correct misstatements identified in the prior period.

- **Financial and performance management**

Quality, reliable annual financial statements: Operational and Reporting

The entity does not have individuals who understand the financial reporting framework and performance management requirements. Material amendments were made as a result of the change in interpretation of the transitional provisions of GRAP.

Pertinent information is not identified and captured in a form and time frame to support financial and performance reporting.

The financial statements and performance information were subject to material amendments resulting from the audit.

Quality, reliable monthly financial statements: Compliance

The annual performance report was not submitted for auditing as per the legislated deadlines.

Proper record keeping and management: Operational

Requested information was not available. Misstatements resulted from the auditor being unable to obtain sufficient appropriate audit evidence, due to the documentation or information requested not having been made available by management.

Adequate financial management systems: Operational

Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.

OTHER REPORTS

Investigations

Investigations in progress

59. The Department of Roads and Transport (Aviation) is conducting an investigation to determine whether the funds allocated in respect of the airfield were utilized for their intended purpose.

Investigations completed during the financial year

60. The Special Investigation Unit (SIU) conducted an investigation at the traffic department with regards to all financial activities, operational activities (Learners and drivers license testing) and the control environment.

Auditor General
East London

10 December 2010



Auditing to build public confidence

Chapter 5: Good Governance and Public Participation (KPA 5)

5.1 Overview of the Executive and Council functions and achievements

Blue Crane Route is a Category B Municipality and has a Plenary System, which means that all executive powers are vested in Council. The provisions of the latter are per the section 12 Notice of the Municipal Structures, Act 117 of 1998.

It has a Speaker who is also called the Mayor as is the case with Category B Municipalities with a Plenary System.

There are ten (10) Councillors and four (4) Standing Committees, namely:

● Standing Committee – Technical Services & Infrastructure

- (a) Civil Works.
- (b) Electricity.
- (c) Mechanical Workshop.
- (d) Commonage and Pound, and
- (e) Water and Sanitation.

Members:

- Cllr J.F. Froehlich – Chairperson
- Cllr K.C. Brown
- Cllr N.P. Yantolo
- Cllr B.A. Manxoweni

● Standing Committee – Community Services

- (a) Environmental Health Services.
- (b) Cleansing Services.
- (c) Environmental Education.
- (d) Primary Healthcare Services, and
- (e) Protection Services.

Members:

- Cllr B.A. Manxoweni – Chairperson
- Cllr N.P. Yantolo
- Cllr V.S. Jonas
- Cllr W.H.K. Olivier

● **Standing Committee – Corporate Services**

- (a) Administration.
- (b) Human Resources.
- (c) Housing & Land Usage, and
- (d) Library Services.

Members:

- Cllr M. Nontyi – Chairperson
- Cllr L. Simmons
- Cllr B.A. Manxoweni
- Cllr N.R. Sibaca

● **Standing Committee – Budget & Treasury (Finance)**

- (a) Income.
- (b) Expenditure.
- (c) Budget.

Members:

- Mayor N.M. Scott - Chairperson
- Cllr K.C. Brown
- Cllr J.F. Froehlich
- Cllr V.S. Jonas
- Cllr N.P. Yantolo

● The Office of the Mayor and that of the Municipal Manager are responsible for the following functions, namely:

- (a) Local Economic Development & Integrated Development Plan.
- (b) Special Programs Unit that deals with:
 - (1) HIV/AIDS.
 - (2) Youth.
 - (3) Disabled.
 - (4) Women.
 - (5) Children.
 - (6) Aged; and
 - (7) Public Participation.

➤ All the Council Meetings are preceded by Standing Committee meetings of the:

- Standing Committee - Finance
- Standing Committee – Corporate
- Standing Committee – Community Services
- Standing Committee – Technical & Infrastructure

68

➤ The Council has Special Committees that are convened in order to ensure that decisions are taken without waiting for Ordinary Council Meetings.

Ordinary Council	Special Council	Committee Meetings
08/07	27/07	05/08 & 20/08
09/09	14/08	13/10 & 14/10
17/11	31/08	20/01 & 21/01
17/02	22/10	25/02 & 10/03
24/03	09/12	03/05 & 07/05
09/06	20/01	06/07 & 07/07
21/07	31/03	11/08 & 12/08
01/09	09/05	29/09 & 30/09
28/10	31/05	01/10 & 26/10
14/12	20/08	16/11 & 02/12
	14/09	
	27/09	
	30/09	

- The Council resolutions are prepared for signature by the Mayor. When approved, they are implemented by the officials. The senior officials subsequently account in the meetings on the implementation of Council resolutions.
- Policy Development and by-laws are also the core function of the Council. Council makes sure that all resolutions are implemented in line with a policy or by-laws to guide through.
- Council has the following policies reviewed:
 - Human Resources Policies.
 - Financial Policies.
 - Generic Policies, and
 - ICT Policies.
- The by-laws were also reviewed accordingly:

Department	Policy/By-Law	Reviewed (Y/N)
	Career/Succession Planning	Approved

Human Resources Policies		
	Recruitment And Selection	Approved
	Promotion and Transfer Policy	Approved
	Substance And Travelling Allowance	Approved
	Occupational Health and Safety	Approved
	HIV and AIDS	Approved
	Training and Development	Approved
	Telephone and Facsimile Usage	Approved
	Vehicle Usage and Vehicle Accident	Approved
	Leave Policy	Approved
	Rainy Day Policy	Approved
Financial Policies	Investment Policy	Approved
	Financial Reporting Framework Policy	Approved
	Asset Management Policy	Approved
	Cost Estimation Policy	Approved
	Cash Management Payment of Creditors Policy	Approved
	Cash Receipt and Banking Policy	Approved
	Supply Chain Management Policy and Code of Good Practice	Approved

	Policy and Code of good Practice	Approved
	Credit Control and Indigent Relief Policy (ex Revenue By- Laws)	Approved
	Rates Policy and Rates Policy By-Laws	Approved
	Fraud Prevention Framework & Policy	Approved
Generic Policies	Draft Tariff Policy	Approved
	Asset Management Policy	Approved
	Budget Policy	Approved
	Cash Management and Payment of Creditors Policy	Approved
	Credit Control and Indigent Relief Policy	Approved
	Cash Receipts and Bank Policy	Approved
	Financial Reporting Framework Policy	Approved
	Investment Policy	Approved
	Property Rates Policy	Approved
	Reward, Gifts and Favours Policy	Approved
	Risk Management Policy	Approved
	Roles and Responsibilities and the Delegation of Powers	Approved
	Supply Chain Management Policy	Approved
	Credit Control and Debt Collection by Law Policy	Approved
	Customer Care Policy	Approved
	Draft Rates Policy By-Law	Approved
	Career/ Succession Planning	Approved
	HIV and AIDS	Approved

	Occupational Health and Safety	Approved
	Promotion and Transfer	Approved
	'Rainy Day'	Approved
	Recruitment Policy	Approved
	Reimbursement of mobile phone costs	Approved
	Sexual and other harassment	Approved
	Smoking	Approved
	Substance abuse subsistence and travelling allowance	Approved
	Telephone and facsimile usage	Approved
	Training and Development	Approved
	Vehicle usage and Vehicle accidents	Approved
ICT Policy	IT Network Security Policy	Approved
	IT Data and Systems Security	Approved
	Disaster Recovery Policy	Approved
	Internet, Intranet, Extranet and E-mail Policy	Approved

- The Council is also to adopt the work of the Steering Committee discussion, IDP forum discussion and Public Participation process. All these processes are guided by the documents that reveal the processes evolution, which culminates to what the MFMA declares (Systems Act) as:

- Draft IDP.
- Draft Budget.
- Approved IDP (Aligned).
- Approved Aligned Budget.
- Service Delivery and Budget Implementation Plan, and
- Performance Management System.

Document	Approval Date	If not- Reasons
Draft IDP	31/03/2010	N/A
Draft Budget	31/03/2010	N/A

Approved IDP	27/05/2009	N/A
Approved Budget	27/05/2009	N/A
Service Delivery SDBIP	27/05/2009	N/A
PMS	27/07/2010	Framework approved later

- Oversight responsibility is another area in which Council plays a key role. The Council needs to adopt a process that guides the oversight process. The oversight responsibility includes:
 - Council to play its role as plenary.
 - Audit Committee, and
 - Performance Audit Committee.
- The Council needs to ensure that all presentation, reports, submissions, proposed resolutions are heavily engaged as this assists in ascertaining that these comply with the Council's goal, which is to create a better life for our communities and fulfilling the objectives of the Council. These other structures enable Council to take decisions partisan to communities:

Committee Established	Date (Reasons for non-establishment)
Plenary Council	2006-local government elections
Audit Committee	2006 up to date (2009) Extended
Performance Audit	None- Audit Committee undertook the performance function
Ward Committees	Quarterly Meetings and Public Meetings
Council Committees	2006 up to date
Training Committee – Employment Equity	2008

- The provision of services is another function of Council that is thoroughly assessed:
 - MFMA, Section 71 Reports.
 - Quarterly Performance Reviews.
 - Half- Year Report.

- Annual Report.
- Auditor-General Report, and
- Council bi-monthly meetings, at least.

- The plenary type Council poses challenges when it comes to the fast-tracking of Council resolutions. A need to establish a smaller Committee is then critical as it would focus on the implementation of resolutions, this then would assist Council with this challenge. An application will be submitted to the MEC for such.

● **Achievements: Administration**

Council had seven Standing Committee Meetings for each Committee, seven Ordinary Council Meetings and seven Special Council Meetings respectively for the year under review. All Ordinary Council Meetings were advertised, well in advance, in the local newspaper. Members of the public attend Ordinary Council Meetings. Agendas for Ordinary Council and Standing Committee Meetings are delivered timeously. Ordinary Council Meetings were never postponed and took place as scheduled. Standing Committee Meetings were postponed on two occasions, but the number of Meetings scheduled for the year took place.

The Municipality is making use of the National Minimum Information Requirement Filing System for the Human Resources record keeping, whilst the Functional System is being utilised to keep the rest of Council's records. The Department of Sport, Recreation, Arts and Culture is the custodian of these filing systems and also see to the implementation thereof.

Council has developed a Draft Archives and Registry Policy that is to be finalised and approved during the 2009/10 Financial Year.

Incoming correspondence received by the Municipality is circulated within three days.

● **Community Halls**

Council budgeted an amount of R400,000.00 for the repairs of Municipal Buildings. This money was mainly spent on the repairs and upgrading of the Community Halls as indicated hereunder, namely:

Nelsig Community Hall, Pearston, was painted on the in- and outside. Repairs were made to the ceiling, whilst windowpanes and doors were also replaced.



Above: Nelsig Community Hall, Pearston

Mbulelo Ndoni Community Hall, Pearston, was painted on the in- and outside. Repairs were made to the windows and doors.



Above: Mbulelo Ndoni Community Hall, Pearston

The wooden floor of the Town Hall, Pearston, was repaired, sanded and varnished. Further repairs and maintenance are to continue during the 2009/10 Financial Year.



Above: Town Hall, Pearston

The Glen Avon Community Hall, Somerset East, was painted on the in- and outside. Repairs were made to the windows, ceiling and doors. The wooden floor was also repaired, sanded and varnished.



Above: Glen Avon Community Hall, Somerset East

The Francisvale Community Hall, Somerset East, was painted on the in- and outside. Repairs were made to the windows, ceiling and doors. The wooden floor was also repaired, sanded and varnished.



Above : Francisvale Community Hall, Somerset East

The Youth Centre, Somerset East, was painted on the in- and outside. Repairs were made to the windows and doors.



Above : Youth Centre, Somerset East

The wooden floor at the Town Hall, Cookhouse, was repaired, sanded and varnished, whilst the hall was painted on the inside. Further repairs and maintenance are to continue during the 2009/10 Financial Year at the Town Hall and Madiba Community Hall, Cookhouse.

Burglar proofing was installed at the Town Hall, Somerset East. The upgrading of the Town Hall, Somerset East, will be undertaken during the 2009/10 Financial Year.

● **Achievements: Human Resource**

A Training Committee has been established, which is overseeing and facilitating training of all staff members within the Municipality. Personnel and Leave files exist for each employee within the Municipality and are being administered within the Human Resources Section. The inaccurate leave balances of some staff members have contributed to the qualified audit report received by Council. Council has appointed the Internal Auditors (PriceWaterHouseCoopers) to assist in this regard. The Local Labour Forum, which is a statutory requirement, is established and functions well. It contributes towards the stable

labour relations and environment currently experienced within the Municipality. The Skills Development Facilitator Section won an Award from LGSETA for Most Improved Municipality in Training and Development for 2009/2010.

Council has reviewed its Human Resources Policies and Organogram. The Workplace Skills Plan has been reviewed and submitted to the Local Government Sector Education and Training Authority.

● **Achievements: Housing and Land Use**

After approval by the former Department of Housing, Local Government and Traditional Affairs, the following Housing Projects commenced during September 2008, namely:

- Old Location – 200 units
- Chris Hani - 387 units – later increased to 400 units

The progress made until now is not satisfactory. The challenges that threaten the successful completion of the project include late payments to Supplier and Emerging Contractors. The quality of the houses built is also a concern. However, Council, together with the Department of Housing, is in the process of implementing remedial steps to correct the situation.

Council received money from the former Department of Housing, Local Government and Traditional Affairs for the Updating of the Zoning Maps of Somerset East, Cookhouse and Pearston. This project was completed towards the end of May 2009. Funds were also availed to undertake a Cemetery Investigation and Land Audit in Cookhouse. The investigation for the Cemetery Sites is completed. The necessary statutory steps will now be undertaken to have the two cemetery sites in Somerset East and Cookhouse extended. The Land Audit Project in Cookhouse is completed.

● **Achievements: Libraries**

On 21 May 2009, the launch of “Connect with Cacadu” took place at Langenhoven Library. “Connect with Cacadu” (CwC) is an idea derived from the lack of IT services, education and skills acquisition opportunities that has been identified via various interactive processes. CwC relates to the introduction of Computer Hardware and Software at local libraries and other potential access points for use by community members. Fourteen libraries received this service to date, which include Langenhoven-, W.D. West- and Ernst van Heerden Libraries. Blue Crane Route Municipality’s roll-out marks the end of the first phase of “Connect with Cacadu” in the District.

It is hoped that through an information-sharing mechanism such as CwC, local people will be able to acquire skills and information that will assist them in improving their current and future standard of living and employment marketability through access to information. The program focuses on access to information, computer literacy and use and educational assistance to learners.

77

The second phase is currently in the design process and is geared to focus on: bridging the gap between school and tertiary education; and a dult skill and academic requirements, specific to a rural environment.

The nature and extent of required accessible information will be regularly reviewed. This has been accommodated on the system in the form of a 'virtual' suggestion box that allows users to communicate directly with the Cacadu District Municipality on what deliverables they would like the system to provide.

Ernst van Heerden Libraries still have no access to the internet due to the lack of cables from Telkom. When this problem is seen to, the computers will be switched on.

149

Every library received 150 memory sticks. The first 150 members that joined received a free memory stick. Langenhoven Library's membership increased tremendously! They are very busy during the day with people using the internet and facilities. They are in the process to organising to stay open the whole day and take turns to take their lunch time.



Above: Langenhoven Library, Somerset East

Council has identified the need to improve the quality of books at libraries and requested the Department of Sport, Recreation, Arts & Culture to avail the necessary funding in this regard.

Council, in conjunction with Cacadu District Municipality, managed to provide burglar proofing at the three (3) libraries where the computer were installed for the "Connect-with-Cacadu" program.



Above: Ernst van Heerden Library, Pearston

78

5.2 Public participation and consultation

- The Municipal Systems Act 32 of 2000 Chapter 4, provides a detailed exposition on the participation of communities in municipal affairs. The Council has ensured that it consulted with the community on various matters:

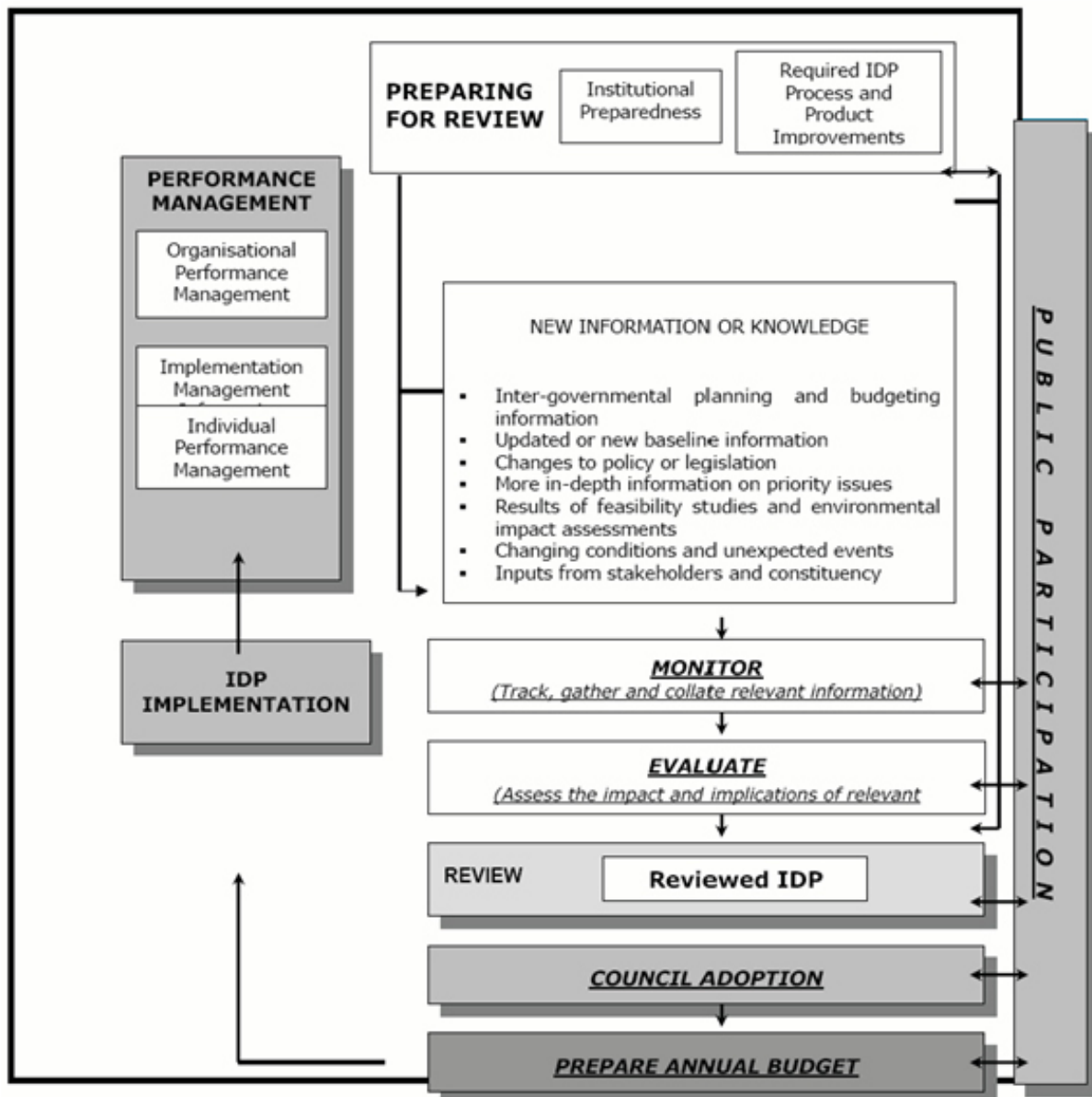
Area of Consultation	Timing	Response
Draft IDP	End March 2008	Good in all Wards
Draft Budget	End March 2008	Good response
SDBIP	End August 2008	Part of IDP
Electricity Increase	April 2008	High response
Service Provision	Quarterly 2008	High response
Half-year Report	January 2009	Fair response
Annual Report	2009/2010	Good response

- The mechanisms utilised to ensure the consultation and participation of communities include:

Mechanisms	Timeline	Purpose
Ward Meetings	5/05/2009-17:00- Aeroville High School, Somerset East	IDP/Budget
	6/05/2009-17:00-Nojoli Primary School, Somerset East	
	7/05/2009-17:00-Glen Avon Hall, Somerset East	
	11/05/2009-17:00-Francisvalle Hall,	

	Somerset East	
	12/05/2009-17:00-Town Hall, Somerset East	
	13/05/2009- 15:00- Town Hall, Pearston	
	14/05/2009- 15:00- Madiba Hall, Cookhouse	
Ward Committees	03/2009-Council Chambers	Priorities for IDP
Stakeholder's Forum	25/02/2009-15:00-Council Chambers 23/03/2009-11:00-Council Chambers 16/09/2009-14:00- Council Chamber	IDP and Budget
Community Meetings	10/02/2009-17:00-Kharryiso Hall-Pearston 11/02/2009-17:00-Town Hall, Pearston 12/02/2009-17:00-Glen Avon Hall, Somerset East 16/02/2009-17:00-Nojoli Primary School, Somerset East 17/02/2009-18:00-Francisville Hall 18/02/2009-17:00-Aeroville High School, Somerset East 19/02/2009-17:00-Madiba Hall, Cookhouse 23/02/2009-17:00- Town Hall, Cookhouse 24/02/2009-18:00-Town Hall, Somerset East 11/05/2009-14:00-Town Hall, Pearston 11/05/2009-18:00- Town Hall, Somerset East 12/05/2009-17:00- Glen Avon, Somerset East 12/05/2009-17:00- Aeroville, Somerset East 12/05/2009- 17:00-Nojoli Primary School, Somerset East 13/05/2009-18:00-Francisvale Hall, Somerset East 14/05/2009-15:00-Madiba Hall,	IDP and Budget

	Cookhouse	
Council Meetings	03/02/2009- 10:00-Council Chamber 31/04/2009- 10:00-Council Chamber 12/05/2009- 10:00-Council Chamber	Budget , IDP, SDBIP
Izimbizo	10/02/2009- 17:00- Masizakhe 16/02/2009-17:00-Nojoli Primary School, Somerset East 17/02/2009-18:00-Francisvalle Hall 18/02/2009-17:00-Aeroville High School, Somerset East	Water, Crime



5.3 Ward Committees' establishment and functionality

Council established Ward Committees in all five (5) Wards. Training of Members of four (4) Ward Committees commenced on 11 May 2009 and was completed on 23 June 2009. The Ward 1 Ward Committee was trained in 2009/10 and were awarded certificates in 2010.

Nelson Mandela Metropolitan University provided training on:

(a) Generic training needs:

- Communication.
- Interpersonal Skills.

- Conflict Management and Negotiation Skills.
- Democracy and community participation; and
- Leadership.

(b) Training on Municipal policy and processes:

- Principles of good governance.
- Establishment of Ward Committees, in terms of reference, nature and functions.
- Municipal structures, legislation and processes.
- Intergovernmental community development; and
- Payment of services (credit control).

(c) Specialised training needs:

- Meeting procedures and secretarial services (minute taking, report writing, letter writing, etc).
- Administration (clerical/administrative skills, bookkeeping, basic accounting, etc).
- Budgeting.
- Monitoring and evaluation.
- Policy Development.
- Project Management.
- Performance Management; and
- Community-based Planning.

The training program is accredited with the Sector Education Training Authority and the competency levels of Ward Committee Members were tested.

5.3.1 Ward Committees

- Ward Committees are relatively active. They need to develop a strategic plan around IDP and activities for their work in Communities. BCRM is to provide support through the Office of the Municipal Manager and Corporate Services.
- Ward Councillors were trained. The training basically focused on:
 - Leadership role.
 - Roles and responsibility of Councillors.
 - Municipal functions and powers.
 - Relationship of Ward Committees and Council, and
 - Batho Pele Principles.

Members of Ward Committees:

• **Ward 1-Cookhouse**

- 1) Siphon Sonkwala
- 2) F. Van Der Merwe
- 3) Vusumzi Dingile
- 4) Mzandile Kuse
- 5) Makhaya Dyasi
- 6) Blackie Zondani
- 7) Monwabisi Botha
- 8) M. Kwatsha
- 9) Tatyiswa Salaze
- 10) Cllr. Manxoweni

• **Ward 2-**

- 1) Portia Jacobs
- 2) L. Balasana
- 3) N. Ntsudu
- 4) S. Bangela
- 5) Deon Tiervlei
- 6) Elsamarie Van Der Walt
- 7) Allan Hobson
- 8) Cllr. Olivier
- 9) Rosemary Bradfield
- 10) F. Van Aardt
- 11) Cllr. Sibaca

• **Ward 3 -**

- 1) Wiseman Lawrence
- 2) Mr. T. Funiselo
- 3) Luthuli Noseko
- 4) Thamie Plaatjie
- 5) Nokuku Ncoco
- 6) Brenda Dike
- 7) Rati Harrof
- 8) Nonceba Heka

9) Mrs. Majiba

10) Cllr. Yantolo

- **Ward 4- Pearston**

1) Vuyani Sijila

2) Klaas Mintoor

3) Thobekile Bangela

4) Stanton Africa

5) Xoliswa Gela

6) Rodney Simmons

7) Zongezile Danster

8) Simphiwe Oliphant

9) Cllr. S. Jonas

- **Ward 5 -**

1) Thobeka Mngqesha

2) Nosipho Lolonga

3) Noluthando Gogo

4) Nonzame Sam

5) Vuyiswa Mjadu

6) Thozama Ngqolo

7) R. Fillis

8) Neil Bohules

9) Peter Bohules

10) Cllr. Nontyi

- **Challenges:**

- Strategic Planning,
- Program Development,
- Schedule of meetings with committees,
- Relations with CDW's,
- Office space for operations, and
- Stipend.

5.4 Community Development Workers

The Community Development Workers are appointed as government agents for change.

They need to work closely with Ward Committees and Council.

5.5 Communication

In the year under review the Council has a Communication Policy. There is no staff in the Office of the Municipal Manager to deal with communication. Further, there is no provision in the organogram of a Communication Officer.

➤ Way forward

The Policy has been designed at the end of the 2009/10 Financial Year. It went through all the Council processes and adopted. The intention is to budget for a Communication Officer because of the financial muscle of the Council we could not afford in 2009/10. The organogram will then be populated incrementally and a person appointed in 2010/11.

5.6 Intergovernmental Relations Framework (IGR)

The IGR Framework Act has not been fully implemented in the Blue Crane Route Municipality. There are meetings on intergovernmental relations that occur, however, they are not structured. At present the Blue Crane Route Municipality is working on setting the structures formally in line with IGRF Act. That will include all the Provincial, National Departments and Parastatals.

The Blue Crane Route Municipality is participating in the District, Province and National Structures:

Structure	Meetings
Mayor's Forum (CDM)	Quarterly
Municipal Manager's Forum	Quarterly
Technical Manager's Forum	Quarterly
Chief Finance Officers	Quarterly
Community/Health Services Forum	Quarterly
SALGA Structures Meeting	Quarterly
Munimec (Municipality/MEC) Housing	Quarterly
Munimec (Local Government & Traditional Affairs)	Quarterly

86

The above structures also have special meetings to deal with urgent matters.

The Departments and Parastatals in the Blue Crane Route Municipality work closely with one another during IDP/Budget alignment process.

● Challenges

- The establishment of local IGR structures.
- Lifting of the role of Provincial Treasury, Provincial Department of Local Government and Traditional Affairs and the Premiers Office in their role to Support Local Government.
- Consideration of Department of Agriculture and Department of Economic Development and Environmental Affairs in the MUNIMEC and DIMAFO (District Mayor's Forum) because of their importance at local level.

5.8 Legal matters

5.8.1 Setting up of Legal Units

Council does not have a legal unit and is outsourcing its legal services. The following service providers are utilized:

- Abrahamson & Reynolds Attorneys, Somerset East.
- Du Preez, Potgieter & Trichardt Attorneys, Somerset East.
- Nolte Smit Attorneys, Somerset East.
- Smith Tabata Attorneys, East London.
- Angela Scally Attorneys, Pretoria.
- Roodt & Associates Labour Law & Human Resource Practitioners, Pretoria.
- Frikkie Rademeyer Labour Law & Human Resource Practitioner, Somerset East.

5.8.2 Management of litigation

1. Case load management with specific reference to:

a. Favourable cases

Case name	Recovery (Yes/No)	Reasons for non recovery
F.W. Lengoasa	No	Mr Lengoasa was dismissed for miss-representing himself during an interview.
J. Tosela	No	He was dismissed for theft. No money was recovered as it was pointed out by way of a legal opinion that someone cannot be punished twice.
S. Wonzi	No	He was dismissed for theft. No money was recovered as it was pointed out by way of a legal opinion that someone cannot be punished twice.
E.M. Merington	No	Labour Court ruled in favour of Council in case of unfair labour practice – reinstatement.
D.O. Claassen	No	The matter pertaining the suspension of Mr Claassen

		(the then Municipal Manager) is still pending.
Vincemus Investments	No	Concluded.
Maxprof	Yes	Maxprof had a claim of R441 183.37 against Council. The parties settled for an amount totaling R252 104.79.
Standard Bank SA Ltd	No	The matter is still pending.
Corporate Finance Solutions	No	The matter is still pending.
Autumn Star Trading 33	No	The matter is still pending.
Pinnolta	No	The matter is still pending.
Municipal Services Solutions	No	The matter is still pending.
Mlombi and others	No	Concluded.
Santam Insurers	No	Council's legal representative still preparing to put matter on roll of High Court.
P.T. Jokwana	No	Concluded.

b. Unfavourable cases

Case name	Compliance with judgement (Yes/No)	Reasons for non compliance with judgement
D.H. Crous	Yes	Not applicable
M. Liddell	Yes	Not applicable
G. Sammy	Yes	Matter was settled in view of the high legal costs for Council and the fact that it was a 50-50% possibility of success.
C.F.B. du Preez	Yes	Not applicable

2. Case age analysis

Case name	Nature of the case	Date of commencement	Cases of 2 years or bellow	Cases beyond 2 years	Reasons for extensive duration
F.W. Lengoasa	Misrepresentation during interview	December 2006	-	Yes	Applicant referred the matter wrongly
J. Tosela	Theft	February 2009	Yes	-	-
S. Wonzi	Theft	March 2009	Yes	-	-
E.M. Merington	Unfair Labour Practice – Re-instatement	2004	-	Yes	Applicant delayed the matter.
D.O. Claassen	Suspended and employment not renewed	May 2006	-	Yes	Applicant delayed the matter.
Vincemus Investments	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Maxprof	Performing VAT Recovery Assign-	2006	-	Yes	Council disputed the

	ment				legality of the agreement
Standard Bank SA Ltd	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Corporate Finance Solutions	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Autumn Star Trading 33	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Pinnolta	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Municipal Services Solutions	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
D.H. Crous	Dispute Agreement entered into for retrenchment	2008	Yes	-	-
M. Liddell	Misconduct for not securing municipal assets	2006	-	Yes	Defence delayed matter.
G. Sammy	Misconduct for failure and/or negligence to perform duties	2007	Yes	-	-
C.F.B. du Preez	Claim that PAYE not correctly calculated and money paid out therefore incorrect	2008	Yes	-	-
Mlombi and others	Vehicle transporting people involved in accident	2006	-	Yes	Delayed due to late submission of blood tests results

Santam Insurers	Vehicle transporting people involved in accident	2007	-	Yes	Delayed due to late submission of blood tests results
P.T. Jokwana	Fraud	2008	Yes	-	-

3. Default Judgements

Case name	Reasons for default judgement
None	n/a

4. Prevention Mechanisms

- Council has agreed that the present cases are a result of the forensic work that was funded by Provincial Treasury. The report suggested illegal actions taken by Officials without the input from Council. As a result:
- Council declared that the cases were expensive.
- Requested the Law Firm (Smith & Tabata) to brief Council on the chances of Council winning those cases.
- Some judgments' were not challenged due to the expenses already incurred
- Some other cases are a product of Forensic Audit – then Council has to take action against WIFU (wasteful, irregular, fruitless and unauthorised) expenditure.

5. Crime and Fraud

The Council does not have a Crime and Fraud Policy. The Council uses the Code of Conduct in the Municipal Systems Act 32 of 2000, Schedule 1 & 2 for Councillors and Staff. The following cases were attended:

Official	Case	Outcome
Ex-Municipal Manager	Allegations of fraud Alleged stolen property of Council	Pending Dismissed

5.8.3 Management of legal risks

- The Senior Managers need to be trained more on the business of Council so as to ensure that there are less, or no legal risks.

- The Councillors to take decisions fully informed of legal implications.
- Adopt and implement fraud and crime prevention policy.
- The need to review all the cases and ascertain their status.
- Ensure that staff is trained and is aware of the implications of committing crime.
- Engage Unions to partner with Council against fraud and corruption.

PART 3: FUNCTIONAL AREA REPORTING AND ANNEXURE

A: Functional Area Services Delivery Reporting

Performance Contacts on Reviewed

163

Name of Directorate: Municipal Manager

Budget Program No.	Measurable Outcome	Activities/ Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report				Stakeholder Engagement (including within Department)	Challenges
					Key Deliverables	Due Date	% Complete	Budget Spent & % Variance		
1.	Integrated Development Plan	Produce a credible IDP	MM	R30 000 Ntshudu	Credible IDP	June 2009	95%	-	IDP forum. Provincial Departments CDM	Participation of Provincial Dept's
					Engage various departments for the alignment of programs.	February 2009	Done	Internal budget		
					Submit to Council for approval.	March 2009	Done	Operations		
2.	Strategic Planning Session	To appoint a service provider, develop terms of reference and produce a document.	MM	GTZ and CDM	To produce a report that will show a way forward	February 2009	100%	GTZ	GTZ and CDM	Funds for the implementation of the final document

3.	Financial Management	Manage the finances of Council. Appoint and delegate to CFO. Strive for a Clean Audit.	MM	Operational budget	Monthly reports to Council on finances. Comply with MFMA reporting. Establish financial fluidity of Council	Monthly until June 2009	95%	Operational budget		The concern is the conversion to GRAP and funding to do so
4.	Organogram	Review and align the Organogram	MM	Other Departments	Have a reviewed organisational structure and align with IDP.	June 2009	100%	Operational budget	Other managers and Unions	Unions to peruse the structure
5.	Coordinate various departments	Have weekly meetings, monthly reports and quarterly assessments	MM	Other managers	Have a structured way to assess performance	Weekly, monthly, quarterly and annually until June 2009	90%	Operational budget	Other managers	Familiarity with reviews on performance
6.	Performance Management System	Produce a framework, scorecard and contracts.	MM	GTZ and CDM	Produce a PMS for the approval of Council.	June 2009	95%	GTZ funding	CDM and GTZ Internally was Corporate Services	Delay to finish in June was caused by GTZ commitment with other Municipalities

7.	Audit and Risk Assessment.	Ensure the Audit process (internal and external) is managed	MM	Other managers	Have a plan for the AG engagement and address all the exceptions	During the Audit	90%	Operational budget	Other managers	Assets and leave files are a concern.
8.	Special Programs	Ensure that youth, women, disabled, elderly matters are attended to	MM	Special Programs Officer	Have programs for the special groups	During identified dates.	75%	Operational budget		Challenge of Policy and how to implement the program (mainstream or have a specific budget)
9.	Information Communication Technology	Attend to all ICT issues	MM	Zwia Gush	Develop a plan to manage, maintain the existing network, put controls and support departments	ongoing	Done 80%	Operational budget		Staff shortage and funding for ICT plan
10.	Local Development Plan (LED)	Develop an LED strategy and Tourism Sector Plan.	MM	Ntshudu	Have an LED strategy	100%	Done	CDM	CDM and BCDA	Funding to implement the Strategy and the Sector Plan
					Have a Tourism Sector Plan	100%	Done	CDM		
					Delegate the function to BCDA	100%	Done	Operational budget		

Name of Directorate: Budget and Treasury Office

Budget Program No.	Measurable Outcome	Activities/ Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report				Stakeholder Engagement (including within Departments)	Challenges
					Key Deliverables	Due Date	% Complete	Budget Spent & % Variance		
1.	Municipal Transformation and Organisational Reform	Review organisational structure	Delphine	Operational budget	Approve the Budget and Treasury Office (BTO) structure	Nov 2008	100%	Operational budget	SAMWU and IMATU	Financing of the approved structure
					Place the staff in the BTO	June 2009	30%	Operational		Process delayed by comments from Unions
					Undertake change management training	June 2009	10%	Operational		Delay to the approval of the organogram
2.	Infrastructure management and customer care	Update the asset register	Delphine	MSIG	Upload new assets in the register	Ongoing	100% as per GRAP	MSIG budget	DPLG National Treasury	Conversion to GRAP
		Maintain asset register		Ria van Heerden	Appoint Service Provider for conversion readiness to GRAP	Feb 2009	100%	MSIG		Readiness key for the conversion
					Undertake asset physical verification	May 2009	Done	MSIG		

										Some assets have been moved without authorisation
3.	Financial viability and implement MFMA	Align the IDP and Budget process	Delphine	Operational budget	Establish Budget Committee	March 2009	Done	Operational budget		New regulations are a challenge
		Financial reporting		Ria van Heerden	Ensure s71 reports are done Review budget policies Audit readiness meetings	Monthly March 2009 April 2009	" 70% Done			Policies required for budget process Staff compliment and finance to acquire
4.	Revenue Management	Collection and recovery of debt owed	Delphine	Operational budget	80% collection monthly	Monthly	88%	operational		Economic challenges are affecting collection and debt recovery
				Gower	Submit list of indigents to council					
5.	Expenditure Management	Manage the revenue effectively	Delphine	Operational	Creditors are paid within 30 days	Monthly	86%	Reconcile some other claims		
				Gower	Deductions are paid on 7 th of	Monthly	100%	-		

					each month					
					Trial Balance done on 7 th of each month	Monthly	100%	-		
		Auditor-General matters			All the AG qualification and matters of emphasis are attended to	Quarterly	80%	-	PWC	Some other matters like assets need extensive funding
		Cash flow management			The income is equal or more than monthly commitments	Monthly	95%	-		History of the finances caused for cautious cash flow management
6.	Good governance and public participation	Ensure that people participate in the budget and IDP processes	Delphine	Operational	Convene Budget meetings Public hearings meetings Report on the financial status of the BCRM	During budget During Mid-year and Annual Report	100% 100%	Internal and Provincial funding from IDP funding	DLGTA and CDM	Need for more constructive audience from the public in line with the mission of the BCRM

					Brief the LLF on the financial status of the Municipality	Monthly	20%	-	LLF	Staff challenges and backlogs in the LLF
					Develop an Anti-Corruption Strategy	June 2009	70% (Draft format)	DLGTA	DLGTA	Council need to approve and implement the policy

Name of Directorate: Corporate Services

Budget Programs No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report				Stakeholder Engagement (including within Departments)	Challenges
					Key Deliverables	Due Date	% Complete	Budget Spent & % Variance		
1.	Administration	Provision of effective administration	Hendricks	Operational budget	Circulate correspondence within 3 days	Ongoing	100%	Operational budget	Technical Services support	Budget overspent due to creditors
				Blouw	Maintain municipal buildings	June 2009	+100%	R400 000 spent		
					Develop a policy on Archives and registry	March 2009	-	-		
					Title deeds are available and Land Audit done	April 2009	50% of title deeds and 100% of	Provincial funding and operational budget	Provincial Registry	Still to conclude a deal with Provincial Registry

							land audit		Deeds Office	No budget to start with transfers
2.	Human Resource Provision	Ensure effective provision of human resources	Hendricks	Operational budget	Review policies	June 2009	Done	Internal	LGSETA	Funding to populate organogram.
				Blouw / Mokoka	Review Organogram	February 2009	Done	Internal		
					Review Work Place Skills Plan and submit.	July 2008 and June 2009	Done	Internal		
					Hold Monthly meetings of LLF	Monthly	70%	Operational		
					Have accurate files and leave files	June 2009	80%	MSIG	SAMWU and IMATU PWC	Quality of discussions Action plan implementation
3.	Council support	Ensure that council receives support to undertake its functions	Hendricks	Operational budget	Elect all and train Ward Committees	Sept 2008	80%	Operational budget	DLGTA	Training of Ward committees done but need to be enhanced.
				Blouw	Distribute Council Agenda within 7 days	In line with table	85%			
					Advertise all					Special Council meetings disturb

					Ordinary Council meetings		100%			the distribution schedule
					Minute and keep all resolutions	During and after meetings	100%			
4.	Financial Management	Ensure that the Budget of the department is spent EEE	Hendricks	R8 460 549	Comply with SDBIP and spend duly	Monthly review	95%	95%	Budget and Treasury	Management of budget monthly
5.	Town and Regional Planning	Ensure that all Planning activities are done.	Hendricks	Operational budget Scott	Review the SDF	March 2009	-	Not done due to consolidation with the CDM support	CDM	Align Boschberg and Vlei Spatial Development activities
					Implement the register for consent use	Dec 2008	Done	Operational budget		
					Update the Zoning Maps	Feb 2009	Done	DLGTA	CDM	
					Cemetery Development in BCRM	June 2009 appoint Consultant	Done	Investigation done 100%	DLGTA DLGTA and CDM	The need to speed ROD approval
6.	Legal Services	Provide cost effective legal service	Hendricks	Operational budget	Appoint a legal firm to provide the service	March 2009	60%	Operational Budget		Need to reduce the costs
7.	Housing	Facilitate the provision of housing to beneficiaries	Hendricks	R26 127 600 Siyaya	Develop a beneficiary list Coordinate Housing delivery	June 2009	80% 45%	Budget from DoH	DoH	Delays in the project
8.	Library Services	Ensure that library services are provided	Hendricks	Library budget	Purchase books. Renovate libraries Buy a vehicle Connect with Cacadu	June 2009	Done	Provincial budget (DSRAC)	DSRAC and CDM	Need for quality books in line with societal needs

Name of Directorate: Community Services

Budget Program No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report				Stakeholder Engagement (including within Department)	Challenges
					Key Deliverables	Due Date	% Complete	Budget Spent & % Variance		
1.	Municipal Health Services	Milk quality control and monitoring	Sinyanya Ngcipe	Operational budget	20 samples to be taken	June 2009	75%	CDM budget allocation	CDM	Funds not allocated by CDM at year end Need equipment to measure
		Noise pollution control			20 samples taken	June 2009	85%	CDM budget allocation		
		Food establishment monitoring			Evaluate 750 establishments	June 2009	99%	Operational budget		
		Water quality monitoring			56 water samples were taken 45 of them complied	Monthly	100%	CDM budget		
		Infectious disease control			Attend to cases of diarrhoea	ongoing	204 cases attended to	CDM		
		Business licences			Issue business licences.	As per request	18 licences issued	Operational budget		
					All premises to	Ongoing	100%	CDM		

		Issue acceptability certificates			comply	g				
		Support building plans approval.			Scrutinize building plans	As per arrival.	51 inspected	Operational budget		
		Compliance with health legislation.			Deal with cases as they come	Ongoing	11 cases attended	Department of Health		
2.	Primary Healthcare	Implement the 14 PHC programs	Sinyanya	Dept of Health. Mintoor	Implement the 14 PHC programs	Daily	ongoing	Department of Health	DoH	The service is not fully subsidized.
3.	Protection Services	Registration and Licensing	Sinyanya	Xasholo	Ensure that the licenses are issued duly	As per the program	95%	Department of Roads and Transport	DORT	Staff shortage
		Law enforcement			Man speed checks	As per program	51 speed checks taken	DORT		
		Road safety			Road safety by establishing scholar patrol and education	As per the schedule	24/48 scholar patrol done.	DORT		

		Fire and Disaster			Request a fire engine from CDM	June 2009	Done	R1.2m		
					Training of volunteers	As per program	Done	100%		
					Develop a Disaster Mgt Plan	June 2009	25%	CDM	CDM	Awaiting the CDM support
					Request fire fighting equipment	June 2009	100%	R170 000		
4.	Cleansing	Waste Management	Sinyanya	Operational budget	Collect refuse in line with the schedule	Weekly schedule	80%	Operational budget		ABET training disturb the schedule
				Gantsho						
		Cemeteries		Ngcipe	Fence the cemeteries in Mmandi, Cookhouse and Aeroville	June 2009	Done 100%	Operational budget, DLA and CDM support	Dept of Land Affairs and CDM plus Consultants Jeffers and Green	Identification of sites still need extra cash for establishment
					Establish alternative sites.					
		Parks and Open spaces		Ngcipe	Clean Parks and Open as per schedule	Done	75%	Operational budget		Need for the upgrade of the Parks and open Spaces
					Transfer the Resort to form	To sign	50%	Operational		

		Resort upgrade (Bestershoek)		Ngcipe	part of the Boschberg Development	the SLA		budget		
					Sign a service Level Agreement	SLA developing by June 2009	50%	Operational budget	BCDA	Need to confirm the Record of Decision (ROD) from DEDEA before finalizing the SLA
									BCDA	

Name of Directorate: Technical Services

Bud. Prog No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report				Stakeholder Engagement (incl. within Dept)	Challenges
					Key Deliverables	Due Date	% Complete	Budget Spent & % Variance		
1.	Water Services	Revise the WSDP. Provide water and sanitation. Maintenance of Infrastructure	Majali	Goosen, Mdlalo and George	Ensure that the WSDP is revised for 2008/09	June 2009	Not revised	-	DWEA	Awaiting DWEA allocation
					Provide clean water to citizens	daily	ongoing	Operational budget.		Funding for equipment
					To have a maintenance plan through a study	2009/2010	90%	CDM funding		Funding to

					Daily maintenance of infrastructure	daily	Ongoing	Operational budget	CDM	implement the study results. Old infrastructure and equipment for maintenance
2.	Roads and Stormwater	Maintain roads, potholes and pave roads	Majali	Swanepoel and Frans	Regravel and close potholes	ongoing	ongoing	Operational budget	MIG	Funding and old roads (tarred)
					Spend the paving budget in full.	June 2009	100%	100%		Need to pave more roads
					Undertake the maintenance backlog study	June 2009	90%	CDM		Funding to implement the study
									CDM	
3.	Mechanical Workshop	Put systems and program for maintenance	Majali	Barnard	Draft terms of reference for the system Appoint a service provider	June 2009	-	Internal budget		Funding is not available
4.	PMU	Registration of projects with MIG. Spend MIG funds	Majali	Muller	Register projects for multi-year cycle Spend in terms of cash flow plan	June 2009	100%	100%	DLGTA and MIG office (DPLG)	Need more funding in line with community needs
		Master Plan Extend the Grid capacity			Apply from Eskom for additional capacity.	June 2009 to receive an indication	Application done and concluding with Eskom	Operations	Eskom	Challenges of capacity within Eskom to meet our demands

B: Annexure

1. Audit Committee Report

The Mayor
Blue Crane Municipality
Somerset East

171

REPORT OF THE AUDIT COMMITTEE OF THE BLUE CRANE MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee has adopted appropriate formal terms of reference and consists of three independent members, as listed hereunder, all of whom are chartered accountants

AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee reports that it complied to the extent possible with its terms of reference And this fact has been verified by the Auditor-General

OVERALL COMMENTS

We are delighted to report that the Municipality achieved an unqualified audit report for the Financial Year under review joining only a handful of municipalities in the country in a similar position— given that only a few years ago the Municipality's financial and administrative affairs were in a parlous state, this is a monumental achievement. We would like to commend the outstanding efforts of the Chief Financial Officer and the Chief Accountant in this regard. We would also like to draw attention to the positive leadership roles played by the Mayor and the Municipal Manager under whose watch this dramatic transformation took place.

There remain a few internal control issues which need to be addressed and the Municipality should put in place as soon as possible an appropriate Performance Management System and ensure that all applicable legislation is complied with and lastly that fruitless and wasteful expenditure is no longer incurred.

We furthermore believe that the Municipality should continue to assess its risks on an ongoing basis and take the requisite steps to mitigate the risks that are identified.

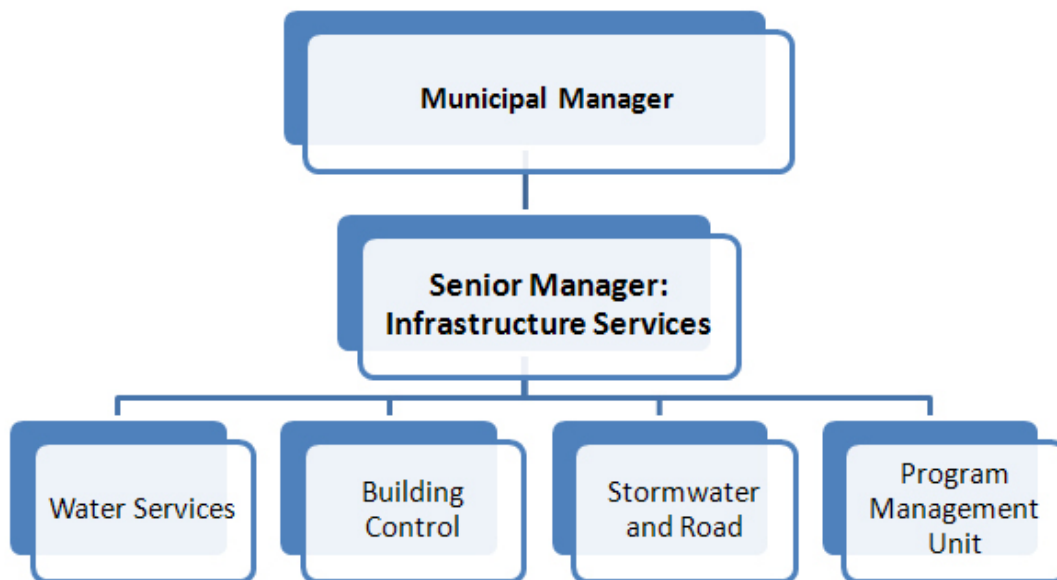
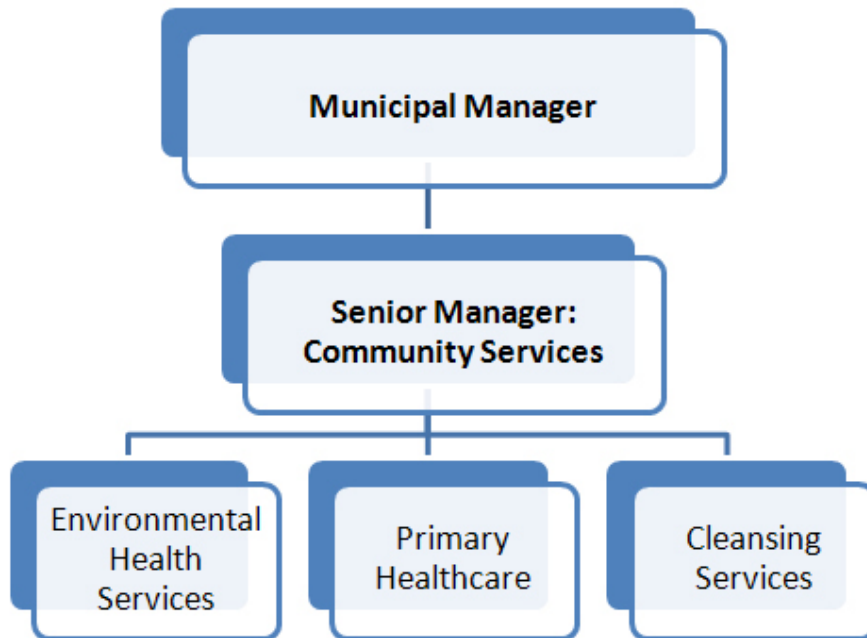
Except for the matters relating to the Traffic Department and to the theft of fuel from the Municipality no other major fraudulent or corrupt occurrences were reported to us—we understand that the matter relating to the Traffic Department is currently being investigated whilst the Municipality has altered its internal control measures in respect of the safe custody of fuel supplies which is already bearing fruit.

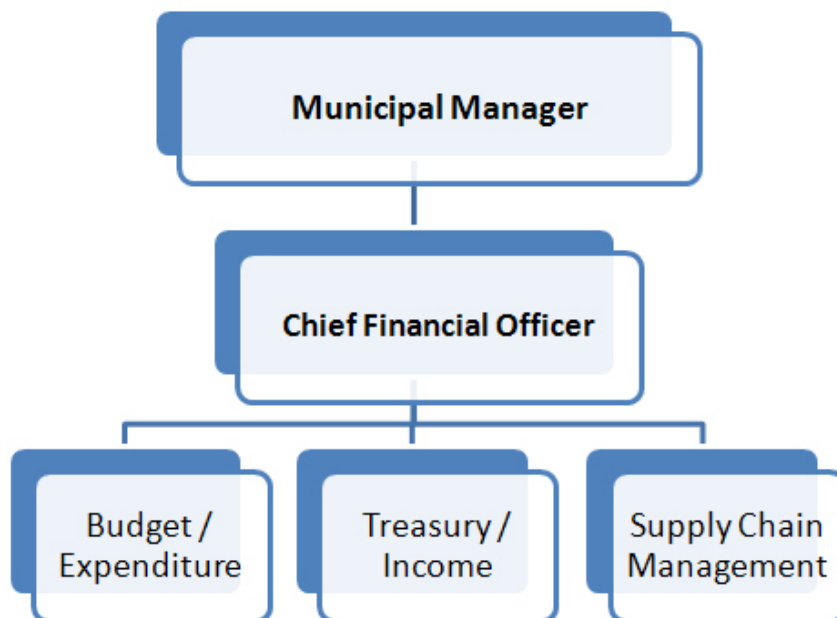
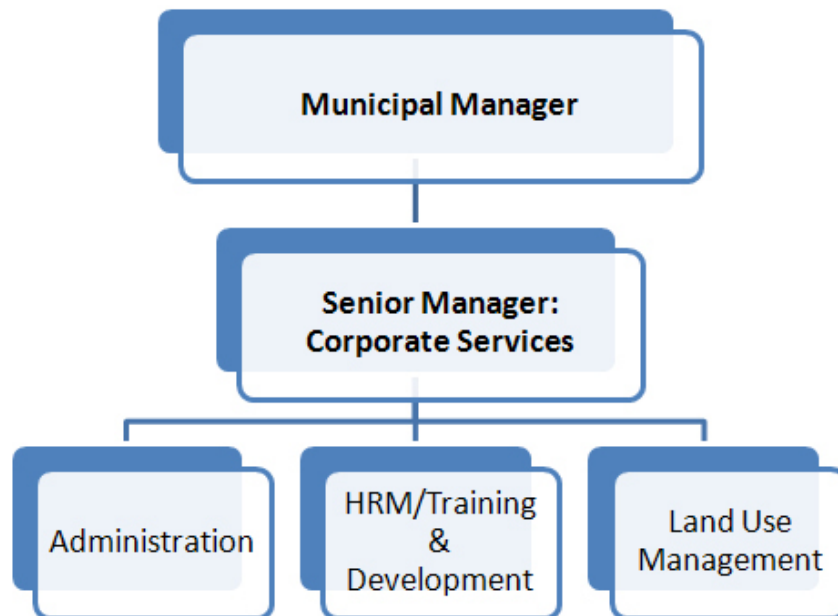
We wish to take this opportunity to thank the Auditor-General and the Internal Auditors for their co-operation and assistance during the year.

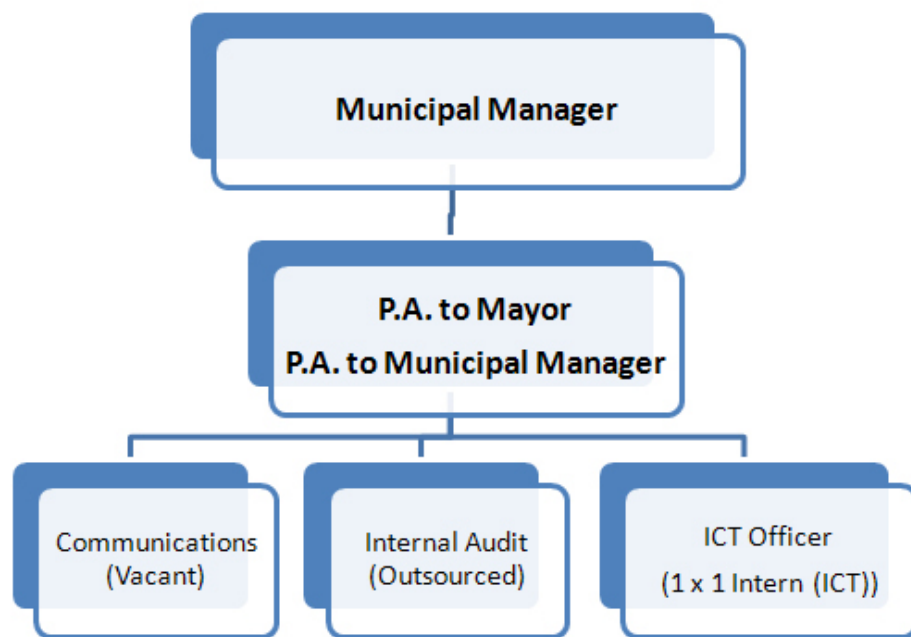
Sincerely

Professor David Rosenberg (Chairperson)

2. Approved Municipal Structure







List of Abbreviations

ADS – Agricultural Development Strategy
BCDA – Blue Crane Development Agency
BCRM – Blue Crane Route Municipality
BCR – Blue Crane Route
CDM – Cacadu District Municipality
EIA – Environmental Impact Assessment
FMG – Financial Management Grant
GRAP – Generally Recognised Accounting Practice
GTZ – German Technical Support
HDA – Housing Development Agency
IAC – Internal Audit Committee
ICT – Information Communication Technology
IPG – Incentive Policy Guidelines
IDP – Integrated Development Planning
IGR – Intergovernmental Relations
KPA – Key Development Area
KPI – Key Performance Indicators
LED – Local Economic Development
MEC – Member of Executive Council
MIG – Municipal Infrastructure Grant
MFMA – Municipal Finance Management Act
PMU – Programme Management Unit
PMS – Performance Management System
ROD – Record of Decision
SDBIP – Service Delivery Budget and Implementation Plan
SDF – Spatial Development Framework
SEISA – Somerset East Irrigation Sub-Area Canal
SMME – Small, Medium and Macro Enterprises
WSDP – Water Services Development Plan
WWTW – Waste Water Treatment Works

Blue Crane Route Municipality
PO Box 21, Somerset East, 5850



Tel: +27 (0) 42 243 1333
Fax: +27 (0) 42 243 2250